

APPENDIX E

OMWD Comprehensive Annual Financial Report



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

ENCINITAS, CALIFORNIA



Comprehensive Annual Financial Report
Fiscal year ended: June 30, 2010

Prepared by:
Rainy K. Selamat, Finance Manager
Olivenhain Municipal Water District
Encinitas, California



COVER PHOTO

Creek Viewing by George Mileon
Winner (Employee), 2010 OMWD Photo Contest
Water Scenery Category

Our Mission

Olivenhain Municipal Water District is committed to serving present and future customers with safe, reliable, high quality water while exceeding all regulatory requirements in a cost effective and environmentally responsive manner.

The District is dedicated to providing recycled water, wastewater treatment and hydroelectricity in the most cost effective, environmentally responsive and service oriented manner.

The District is devoted to the safe operation of the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.



Back row (L-R): Mark A. Muir, Gerald E. Varty, Edmund K. Sprague. Front row (L-R): Kimberly A. Thorner, Robert F. Topolovac, Jacob J. Krauss.

Board of Directors

Edmund K. Sprague, *President*
Robert F. Topolovac, *Vice President*
Mark A. Muir, *Treasurer*
Jacob J. Krauss, *Secretary*
Gerald E. Varty, *Director*

General Manager

Kimberly A. Thorner, ESQ

General Counsel

Wesley Peltzer



Olivenhain Municipal Water District is a public agency proudly serving portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley.

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Comprehensive Annual Financial Report

Introductory Section



Lichen on Granite by Cindy Pecile

Winner (Employee), 2010 OMWD Photo Contest - Plant & Animal Category



December 15, 2010

Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2010. The purpose of the report is to provide citizens, investors, and other interested parties with reliable financial information about the District.

This CAFR was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by Diehl, Evans and Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2010, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the *California Municipal Water District Act of 1911, section 71000 et seq.* of the *California Water Code* as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are subfunds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, Rancho Cielo Sanitation District Fund, 4S Regional Recycled Water Fund, 4S 2002 Taxable Bond Fund, 2006 Water Revenue Refunding Bond Fund, and 2009 Water Revenue Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 1 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

As a result of various annexations over the years, the original boundaries of the District's service area have been expanded to approximately 48 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley.

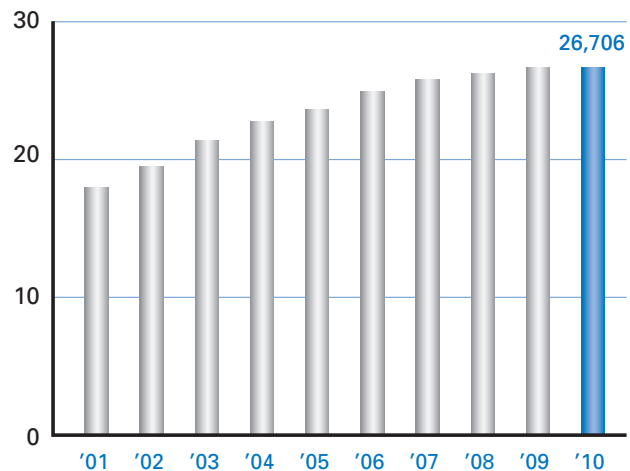
The District utilizes a Comprehensive Master Plan (CMP) as a long-term capital planning tool to address existing and future facility needs within the District's three enterprise areas: potable water, wastewater, and recycled water. The District's CMP is updated every 5 years. The 2010 CMP will be completed in February 2011.

Based upon the District's 2004 Comprehensive Master Plan, it is estimated that the District is currently at 85% of its ultimate build-out of approximately 33,442 equivalent dwelling units. For the fiscal year ended June 30, 2010, approximately 76% of water delivered was for domestic users, 14% for irrigation purposes, 5% for agricultural users, 5% for industrial and construction purposes. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of raw water. The District's primary treated water source is the David McCollom Water Treatment Plant.

The 4S Water Reclamation Facility (WRF) produces approximately 1.1 million gallons per day (mgd) of recycled for water daily irrigation demand in the Southeast portion of the District. To meet the irrigation demand in the South and Northwest service areas, the District entered into recycled water purchase agreements with neighboring agencies through the utilization of interagency service connections. It is the goal of the District to reduce reliance on imported water supplies from the San Diego County Water Authority and the Metropolitan Water District of Southern California State Water Project by increasing its recycled water portfolio to 20% of the District's water demand by 2019.

During the fiscal year ended June 30, 2010, the District billed 20,953 acre-feet of water through 26,706 water accounts and provided wastewater collection services to its 6,602 sewer equivalent dwelling units in 4S Ranch and Rancho Cielo.

Water meters in thousands

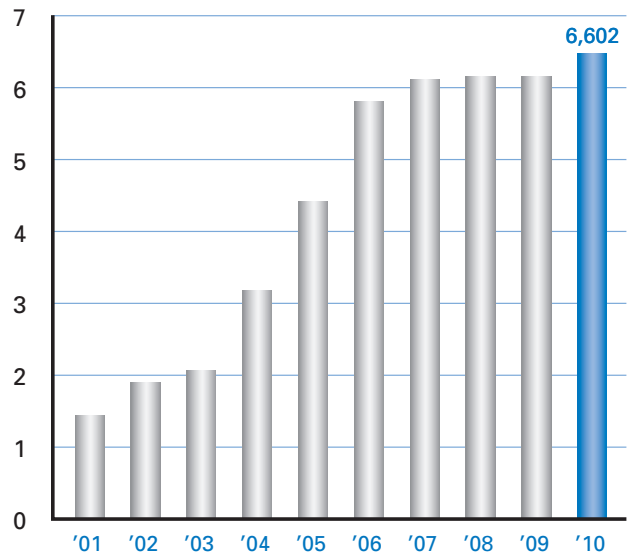


Active Water Meters

Fiscal Year Ended 6/30/2010: 26,706 Water Meters

In July 1998, the District assumed responsibility for sewage collection, treatment and disposal from the County of San Diego for two specific areas within its boundaries. These areas include 4S Ranch, Rancho Cielo and the unincorporated area surrounding them. Sewage effluent is collected and treated at the 4S Ranch Water Reclamation Facility. The 4S WRF is a 2.0 million gallon per day water reclamation facility and has the capacity to provide sewer collection and treatment services to ultimate build-out, currently projected at 7,500 EDU's.

Sewer EDU's in thousands



Active Sewer EDU's

Fiscal Year Ended 6/30/2010: 6,602 Equivalent Dwelling Units

In addition to the sewer operations, the District also supplies recycled water to golf courses, parks, schools, and greenbelts within developed areas.

In the southeast portion of the District's service area, through an extensive sewage collection system and sewage pumping stations, the 4S Ranch Water Reclamation Facility is able to treat all wastewater effluent received, and produce high quality recycled water for non-potable irrigation uses. The 4S Ranch Water Reclamation Facility is financed by the 4S Ranch developer and was completed in October 2003. More detailed information on results of operations by operating segments can be found in the Management's Discussion and Analysis and in note 14 of the Notes to the Financial Statements in the financial section of this report.

Diversification of water supply sources reduces the District's operational risks and reliance on San Diego County Water Authority (SDCWA) as the single source of water supply in the region. The District's goal is to be 33% less dependent on purchased water from SDCWA in 2020. 20% of the District's water supply will come from recycled water sources through expansion of its existing recycled water system and recycled water purchases from other agencies, such as the city of San Diego and the Vallecitos Water District. The remaining 13% will come from other local sources including potential treatment of brackish ground water and desalination water.

The District has taken a cooperative, regional approach in expanding the availability of recycled water to its customers by partnering with ten (10) other agencies to study greater interconnection and development of North County's recycled water infrastructure. The North San Diego County Regional Recycled Water Project was selected by San Diego's Integrated Recycled Water Management Regional Advisory Committee to receive



Wet tapping the existing sewer main at the Neighborhood 1 Pump Station.

\$1.5 million in state grant funds for the recycled water infrastructure. Recycled water system feasibility studies are underway for greater local water supply reliability for North San Diego County residents.

Economic Conditions and Outlook

The declining Bay Delta ecosystem, aging water infrastructure, increased population, and multi-year water supply shortages will continue to put pressure on California's water supply system. A water supply shortage is expected to persist for the foreseeable future. On February 29, 2008, the Governor sent a letter to the Legislature that called for a 20% reduction in per capita water use by 2020. SBX7-7 was enacted and was effective starting January 1, 2010. All retail water agencies throughout California will be required to comply and to continue the commitment to water conservation over the next ten years to achieve the state's goal of a 20% reduction in statewide urban per capita use by 2020. The District is working on revising its water conservation program and Urban Water Management Plan in order to comply with SBX7-7.

The San Diego economy outlook remains unchanged for 2010 with a slow to moderate growth into the first half of 2011 according to the latest leading economic indices published in June 2010 by the Burnham-Moores Center for Real Estate at the University of San Diego. The indices show that San Diego County's indicators were up slightly at 109.4 compared to the previous one at 109.2. Highlights of their study states that residential units authorized by building permits hit the highest level since last year; initial claims for unemployment insurance were negative for two consecutive months indicating less job were lost.

The challenge will be whether or not these small signs of economic improvements will persist when a new wave of future home foreclosures, as laid-off workers default on mortgages, and a pullback by the feds of their economic stimulus programs which will impact local construction activities.

One potential problem impacting the recovery of local economies is the fiscal problems faced by all level of governments, particularly, the state of California and the city of San Diego with their huge budget deficits. Since proposed tax increases were voted out, there are likely to be big cuts in state services and employment.

Recession has somewhat hurt the District's revenue picture especially if more layoffs are expected in short term but will be less severe in comparison to some water agencies in the County. The District roles as the retail water purveyor to an affluent service area based on per capita assessed valuation in the high \$265,000 provides a high degree of revenue stability.



Fire House Sewer Pump Station building construction.



Contractors working on demolition at the Neighborhood 1 Pump Station.

Status of Large Residential Development Projects

While the number of new home starts within the District remains very low, some movement is being seen in the 4S Ranch and Rancho Cielo developments. The remaining lots within the 4S Ranch development have been sold to a home builder and work is proceeding. Additional high end homes are being constructed within the Rancho Cielo development as custom homesites. Subdivision tract housing, ranging from the low \$400's to as high as \$2.6 million, is currently on the market within the District's service area. The final 5 to 10 percent of build-out housing is anticipated to be constructed as small unit fill in and custom development.

Summary of activity which occurred in 2010:

4S Ranch – Development of 2,500 acres of mixed residential and light commercial use is substantially complete with regards to the water, reclaimed water and sewer improvement. Communities and backbone facilities within Neighborhoods 1, 2 and 3, consisting of approximately 3,200 single family and multifamily homes, two elementary schools, a middle school, and an extensive recycled water system, are completed. Development of the final Neighborhood 4 has slowed considerably in the last 2 years; however the developer estimates completion by 2011. A new high school to serve the 4S Development and surrounding area opened in August 2009 and is fully occupied. When the 4S project is completed, the District will have added over 5,000 new water meter accounts to the District's service area. An extensive regional recycled water system is currently on-line and serving the majority of the irrigation needs in the area with recycled water from the District's own recycled water facility. The recycled system continues to expand as the last portions of the project are constructed.

Santa Fe Valley – Development within this specific plan area is estimated at 1,500 dwelling units at build-out and includes an 18 hole golf course and several large lakes. The golf course and lakes have been constructed and are being irrigated and filled with recycled water from the District's Southeast Quadrant Regional Recycled Water system. Additional landscaping within the development is also being irrigated with recycled water, including parks, parkways, open spaces and other non-private greenbelt areas. Significant portions of two major developments within the Santa Fe Valley have been or are under construction, The Crosby Estate at Rancho Santa Fe and the Lakes above Rancho Santa Fe (previous McCrink Ranch). Approximately 85% of the Crosby project has already been constructed and the remaining units are currently being redesigned by a new homebuilder. Development of the first four of five units within the 400 dwelling Lakes above Rancho Santa Fe project were previously under construction however most construction within the development has been stopped due to the economic downturn.



Jacob J. Krauss Storage & Maintenance Facility

Large Construction Projects

Jacob J. Krauss Storage & Maintenance Facility

Grading and site improvements for the District's Southside Operations Building (previously Building J Project) were completed in mid to late 2009 and construction of the actual building was started in March 2010. Work has been proceeding steadily and an early December 2010 completion date is anticipated. The new building will provide expanded maintenance facilities, improved storage of construction materials, and covered parking for the District's maintenance and construction equipment. The extension of the District's Operation and Maintenance facility is named in honor of the District's past Board Director, Jacob J. Krauss, who passed away on December 2, 2010, for his commitment and service to the District. A dedication ceremony will be held in January 2011.



Jacob J. Krauss

DCMWTP LT2 Improvement Project

In 2012, the District will be required to meet a more stringent set of water quality regulations that have been promulgated by the United States Environmental Protection Agency as part of the Long Term 2 Enhanced Surface Water Treatment Rule (LT2 ESWTR). In order to meet the LT2 ESWTR regulations, various changes need to be made to the existing treatment plant with respect to how the water treatment membranes are operated and maintained. These improvements include addressing issues with equalizing flow changes at both the front end and back end of the treatment train and improving the District's ability to handle solids which are removed from the water during the treatment process. Bonds were recently sold by the District to fund the improvements. Initial plans to be in construction starting the second quarter of 2010 were delayed due to design issues. Design is now anticipated to be underway the first quarter of 2011 and should be completed by the middle of 2012.

Unit AA Pipeline (DCMWTP Alternate Raw Water Pipeline)

SDCWA is in the final stages of constructing a pipeline, pump station, and hydrogeneration station from the city of San Diego owned Lake Hodges Reservoir to the Olivenhain Reservoir in order to capture local runoff during the winter season and to generate electricity during peak periods in the summer. In order to offset water quality impacts from the introduction of poorer quality Lake Hodges water into the Olivenhain Reservoir, the District is constructing a new 17,000 foot, 48 inch diameter raw water pipeline from the San Diego County Water Authority's Second Aqueduct to the David C. McCollom Water Treatment Plant. The new pipeline will provide a dedicated source of raw water from the Metropolitan Water District of Southern California for the treatment plant which will not be impacted by water transfers between Lake Hodges and the Olivenhain Reservoir. An Environmental Impact Report (EIR) has been certified and plans are being finalized for the new pipeline. Construction of the project is anticipated to begin in mid 2011 and be completed by early to mid 2012.

Accomplishment: District of Distinction Award

The District received its first District of Distinction Accreditation in January 2009. The District of Distinction program was sponsored by the California Special District Associations and administered by the Special District Leadership Foundation (SDLF). The program was developed to respond to help correct the misperceptions by the media and Legislature that special districts are often invisible and unaccountable.

To receive this accreditation, a special district will need to meet the program's requirements such as administrative policies and procedures, continuing education of its Board of Directors, and in full compliance with auditing standards.

The District is a proud recipient of this accreditation because the award is a reflection of the District's commitment to good governance and operating practices.



Ed Sprague, OMWD Board of Directors President, accepts District of Distinction Award at the California Special District Associations dinner.

Budget Process

The District utilizes a Board-approved annual operating and capital budget as a management tool for estimating and planning District revenues and expenditures and it is used only for comparative purposes to identify unusual or unexpected trends. The Finance Department prepares estimates for departmental review. Department Heads review and revise where necessary, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed operating and capital budget is submitted to the Board within 45 days prior to July 1st of each year. The budget does not go into effect until approved by the

Board. Once approved, the budget becomes the basis for operating and capital expenditures for that fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

In January of each fiscal year, the District conducts a review to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Project managers may find after the first half of the year that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. This mid-year review is also used to update the Board on completed capital projects.

Budgetary Control

The Finance Department prepares budget summary reports and unaudited financial statements on a monthly basis for Board review. Each quarter, the Finance Committee, comprised of the District's Treasurer, one Board Member, and Staff members appointed by the General Manager, reviews the District's financials and/or investments.

Cash Management

The District is legally empowered by statute and ordinance to invest in obligations of the United States and certain of its agencies and instrumentalities, certain money market funds, the State of California Local Agency Investment Fund, commercial paper, and deposit accounts of those financial institutions which are approved as depositories by the District's Board of Directors, as well as certain other types of investments which were not made during this fiscal year ending June 30, 2010. The Board of Directors resolved that funds deposited with the State of California Local Agency Investment Fund, excluding deposits with the fiscal agent for bonded debt, shall not exceed 20% of total funds or \$20,000,000 and that funds deposited with other investment pools shall not exceed 30% of total funds. Total interest earned, net of capitalized investment income, on all funds for the fiscal year ended June 30, 2010 was \$ 443,991 in comparison with \$ 1,021,182 for the fiscal year ended June 30, 2009. The average yield for the fiscal year ended June 30, 2010 was 0.742%. This represents a decrease of 58.8% compared to the average yield of 1.8% for the fiscal year ended June 30, 2009.

Risk Management

The District purchases general liability and property damage insurance policies through a commercial insurance carrier familiar with the District's business. The District's Worker's compensation coverage is provided by the Special Districts' Risk Management Association (SDRMA) of which the District is a member. SDRMA is a risk pooling joint powers authority formed under the California Special Districts Code to provide workers' compensation coverage for SDRMA's member districts. Risk management is more thoroughly discussed in note 12 of the Notes to the Financial Statements section.

Pension Plans

The District provides several retirement vehicle alternatives for employees. The first is a defined benefit pension plan through the California Public Employees' Retirement System (CalPERS). The District contributes a specified percentage of covered employees' payroll which is invested by CalPERS. Upon retirement, District employees are entitled to a specified retirement benefit. See note 10 in the financial section for additional information. In addition, the District has adopted a Deferred Compensation Plan and a Defined Contribution Plan in accordance with Sections 457(f) and 401 (a) of the Internal Revenue Code, respectively. The employees are not liable for income taxes on amounts deferred until the funds are withdrawn. The deferred compensation plan was amended effective July 1, 1997, in accordance with changes in the Internal Revenue code so that all assets are held for the exclusive benefit of the participants and their beneficiaries. Therefore, the assets of the plans and corresponding liability to the participants are not recognized in the accompanying financial statements.

Other Post Employment Benefits

The District administers two single-employer defined benefit healthcare plans: the Retired Employee Health Plan (REHP) and the Retired Board Member Health Plan (RBMHP). As of the June 30, 2010 actuarial valuation, there are 81 eligible members in REHP and 2 Board members in RBMHP. The District's annual OPEB cost for fiscal year ended June 30, 2010 was \$6,740. As of June 30, 2010 the unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll was 3%. Other Post Employment Benefits are more thoroughly discussed in note 11 of the Notes to the Financial Statements section.

Accounting System

The Finance and Customer Service departments are responsible for providing financial services for the District, including financial accounting and reporting, payroll and accounts payable disbursement functions, cash, investment and debt management, budgeting, grant administration, purchasing, data processing, customer billings, processing of customer payments, internal auditing and special financial analyses. The District reports its activities as an enterprise fund, which is used to account for operations similar to business enterprises, where the intent of providing services is financed or recovered primarily through user charges.

Internal Controls

District management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgement on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards District assets and provides reasonable assurance that accounting transactions are properly recorded.

Records Management Program

Management is responsible for the maintenance and preservation of the historical records of District's activities. A record management program was established to achieve these goals. The District has successfully implemented a document imaging and computer output laser disk program. The purpose of this system is to provide easy access to the District's records and the ability to share documents among departments to increase work productivity.

Contacting the District's Finance Department

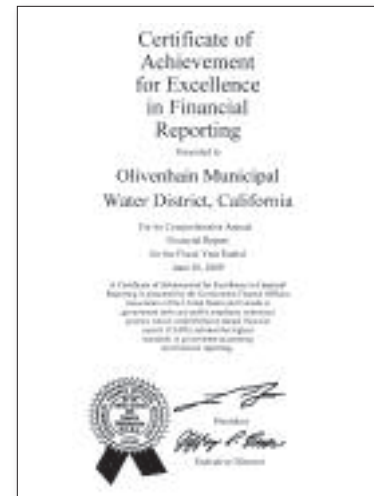
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Rainy Selamat, OMWD Finance Manager, at (760) 753-6466.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the fourteenth consecutive year that the District has received this prestigious award.

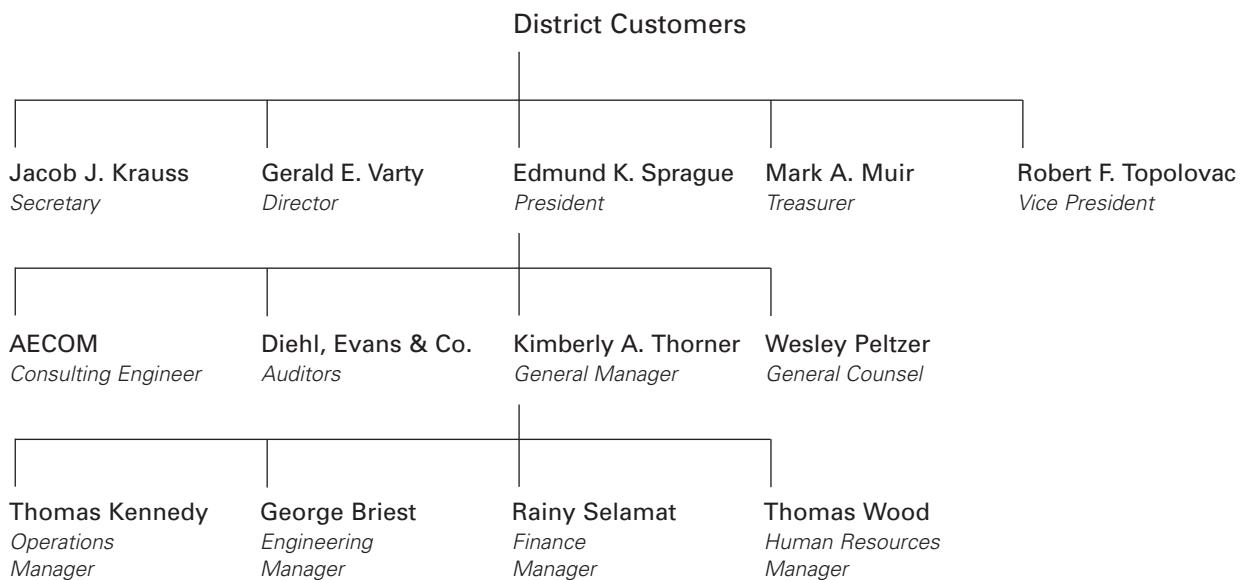
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Organization Chart

The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager, who in turn employs four department managers. The District is an “at will employer.” All the District’s employees serve at the pleasure of the General Manager.



Acknowledgements

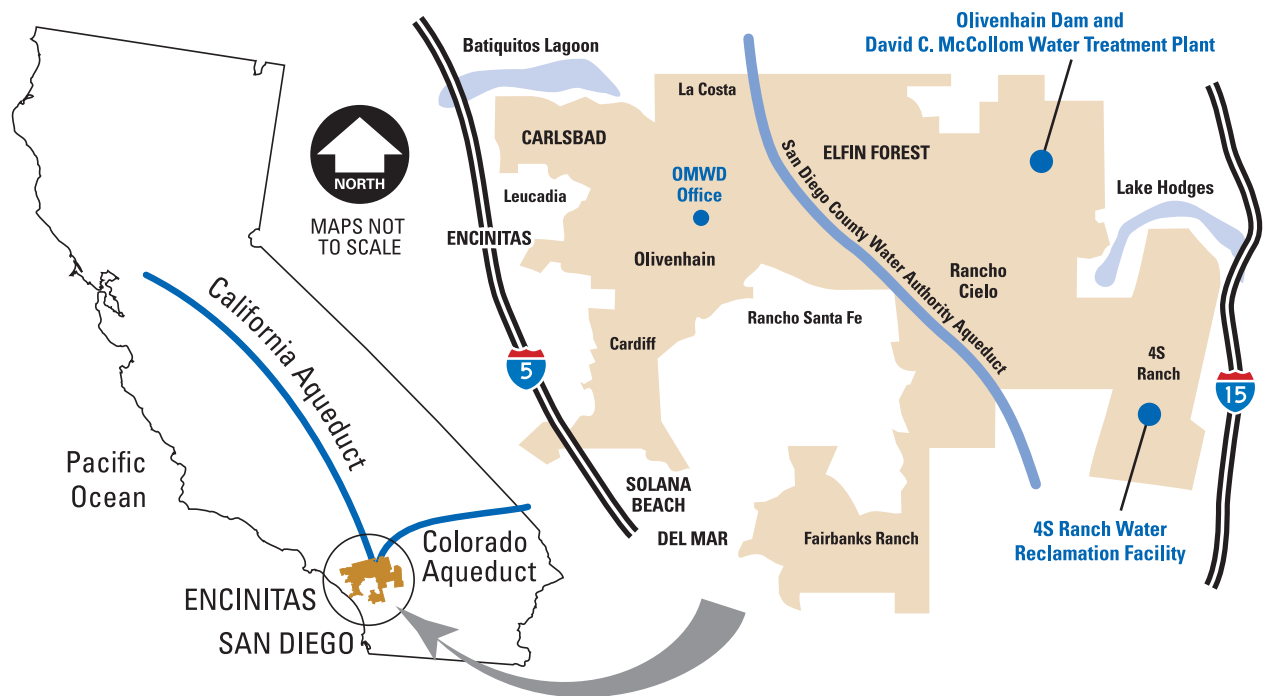
The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, Diehl, Evans & Company, LLP. We would also like to particularly thank the Board of Directors for their continued interest in and support of the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner, Esq.
General Manager

Rainy K. Selamat
Finance Manager

District Service Area



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Comprehensive Annual Financial Report

Financial Section



Fading Light by Karen Ogawa

Winner (Employee), 2010 OMWD Photo Contest - Black & White Category



DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234
www.diehlevans.com

December 3, 2010

INDEPENDENT AUDITORS' REPORT

*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA
WILLIAM C. PENTZ, CPA
MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA

* A PROFESSIONAL CORPORATION

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

We have audited the accompanying basic financial statements of Olivenhain Municipal Water District as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Olivenhain Municipal Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Olivenhain Municipal Water District as of June 30, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Other Post Employment Benefits Plan – schedule of funding progress, and Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the accompanying basic financial statements of the Olivenhain Municipal Water District. The Introductory Section and the Statistical Section, as identified in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Diehl, Evans and Company, LLP

OTHER OFFICES AT:

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

5 CORPORATE PARK, SUITE 100
IRVINE, CALIFORNIA 92606-5165
(949) 399-0600 • FAX (949) 399-0610

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2010

Our discussion and analysis of the Olivenhain Municipal Water District's (the District) basic financial statements provide general readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2010. Included in this section are:

- financial highlights;
- overview of the accompanying basic financial statements;
- financial analysis of the District as a whole;
- a discussion of financial restrictions, commitments and limitations

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are located in the section following the MD&A.

Financial Highlights

During the fiscal year ended June 30, 2010, the following events impacted, or have the potential to impact, the finances of the District:

- In September 2009, the District's Board of Directors adopted an ordinance to pass through to its water customers, for the next five years: increased costs in Purchased Wholesale Water; increases to the District's Cost of Operations and Maintenance and Capital Facilities; and loss of property tax revenues to the State.
- On October 21, 2009, the District/OMWD Financing Authority issued 2009 Water Revenue Bonds in the amount of \$19,175,000. The proceeds of the Bonds will be used to fund the construction and acquisition of the District's water infrastructure improvements. A portion of the District's water system revenue has been pledged for debt service payment of these bonds, including capacity charges and property tax revenues.
- On March 25, 2010, a settlement agreement was entered into between the District, the San Diego County Water Authority (SDCWA), and the City of San Diego. The District received \$13.5 million from SDCWA for construction of a new parallel raw water pipeline (Unit AA Pipeline.) In addition, SDCWA will provide storage rights (up to 3,449 acre-feet of water) in the SDCWA system for 17 years, in exchange for the District's storage rights in the Olivenhain Reservoir.
- The Board moved to a Level 1 Water Supply Shortage from a Level 2 Water Supply Shortage due to the increased allocation of imported water supply from the State Water Project (to 40% in 2010) and a reduction in the District's anticipated consumer demand.
- The District's annual OPEB costs for Fiscal Year ended 2010 were lower than previous years because one retired board member, who was eligible for this plan, passed away.
- Capacity charges collected from developers for 2009/2010 decreased by \$1.166 million due to the housing market crisis and difficult economic times.
- Unrestricted net assets (cash and investments) were higher than last year due in part to the \$13.5 million cash received from SDCWA from the settlement agreement mentioned above.
- Restricted Cash and Investments were higher than last year due to the unspent 2009 Water Revenue Bond Proceeds of \$17,274,600.

Total assets increased by approximately \$41 million, largely due to: \$17 million of unspent bond proceeds; \$13.5 million SDCWA settlement; and \$8 million of developer contributed assets.

- Operating Income was slightly higher than prior year as a result of higher water and sewer revenues collected from pass through rates and charges, and Level 2 drought rates. Sales volume was lower due to customer conservation efforts and cool weather conditions.
- For the following large construction projects, slightly more than \$8 million was in construction in progress at year end, of which approximately \$4 million was spent during the past year: the Southside Operations Expansion; Unit AA Parallel Raw Water Pipeline; and David C. McCollom Water Treatment Plant Improvements. The District plans to spend \$20 million during 2011 to substantially complete these projects.
- Total liabilities increased primarily because of the \$19.175 million Water Revenue Bonds issued in October 2009.

More information about the overall analysis of the District's financial position and results of operations is provided in the following sections.

Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The Statement of Net Assets includes the District's assets, liabilities, and net assets. This statement provides financial information about the nature of investments and ownership (assets) and the obligations of the District to its bond investors and creditors for all purchases made (liabilities). It also assesses the liquidity and financial position of the District.

The Statement of Revenue, Expenses, and Changes in Net Assets accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. This statement also measures the District's profitability and ability to meet its financial commitments.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general readers about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing and investing activities. The Cash Flow statement helps the readers to answer the following questions: "Where did cash come from; What was cash used for, and; What was the change in cash during the fiscal year?"

Financial Analysis of the District as a Whole

The following statements contain a summary of financial information that was extracted from the basic financial statements to assist general readers in evaluating the District's overall financial position and results of operations as described in this MD&A. Increases or decreases in these statements can be used as performance indicators to assess whether the District's overall financial position has improved or deteriorated. At the same time, other external factors such as changes in economic conditions, growth, and legislative mandates should also be considered as part of this assessment.

Net Assets

Net Assets is the difference between assets acquired, owned, and operated by the District and amounts owed (liabilities). In accordance with the Generally Accepted Accounting Principles (GAAP), capital assets acquired through purchase or construction by the District are recorded at historical cost. Capital assets contributed by development are recorded at developers' construction cost. Net Assets represents the District's net worth including, but not limited to, capital contributions received to date and all investments in capital assets since formation. Net Assets help answer the following question: "Is the District, as a whole, better or worse off as a result of the year's activities?"

Condensed Statement of Net Assets

	Fiscal Year ended June 30		
	2010	2009	2008
Current assets - unrestricted	\$ 55,709,936	\$ 37,716,254	\$ 37,701,829
Current assets - restricted	37,546,549	20,871,881	25,105,913
Capital assets, net	346,901,997	340,040,278	317,575,785
Other noncurrent assets	2,193,673	1,940,892	2,052,359
Total Assets	442,352,155	400,569,305	382,435,886
Current liabilities - unrestricted	9,448,789	7,690,727	10,611,082
Current liabilities - restricted	1,911,248	1,052,894	4,316,901
Compensated absences	871,370	846,324	795,562
Other post employment benefit obligation	150,030	166,338	124,650
Long-term debt	74,786,273	58,309,238	62,363,47
Total Liabilities	87,167,710	68,065,521	78,211,667
Invested in capital assets, net of related debt	286,610,326	279,366,040	254,257,148
Restricted net assets	18,360,699	19,818,987	20,789,011
Unrestricted net assets	50,213,420	33,318,757	29,178,060
Total Net Assets	\$ 355,184,445	\$ 332,503,784	\$ 304,224,219

For a detailed discussion regarding the increase in total net assets, please see the Statement of Revenues, Expenses and Changes in Net Assets below.

The increase in total assets is primarily the result of increases in cash and investments and net capital assets. Cash and investments are higher than previous years due to unspent 2009 bond proceeds and the \$13.5 million cash received from SDCWA from the settlement agreement described in note 16. Changes in capital assets are due to an increase in capital improvement projects from several large construction projects (the Southside Operations Expansion, Unit AA Pipeline, and David McCollom Water Treatment Plant LT2 Improvement Project), capital contributions from developers, and capitalization of interest on the 2009 Water Revenue Bonds.

The increase in total liabilities is mainly due to the new debt issuance of 2009 Water Revenue Bonds for \$19,175,000, and a \$500,000 deposit from the San Diego County Water Authority (SDCWA) to construct an interconnect from SDCWA Second Aqueduct to the District's David McCollom Water Treatment Plant.

Statement of Revenues, Expenses and Changes in Net Assets

While the Statement of Net Assets focuses on the District's financial position at June 30 of each year, the Statement of Revenues, Expenses, and Changes in Net Assets summarizes the District's operations during the year. Revenues are recognized (recorded) when water or services are provided, and expenses are recorded when incurred. Operating revenues and expenses are primarily related to the District's core activities (potable water, recycled water, and wastewater service). Non-operating revenues and expenses (investment income, property tax, capacity/connection charge) are not directly related to the core activities of the District.

For Fiscal Year Ended 2010, the District's results of operations were derived primarily from its water, wastewater treatment and collection, and recycled water services. Each of these activities is identified in more detail in note 14 of the Notes to Basic Financial Statements section.

Water Operations

During Fiscal Year 2009-2010, the District provided water services to 26,706 accounts. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter maintenance, water quality services, and other on-site services as requested by District customers, including: testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to provide the cost of providing water services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

Due to the on-going water supply shortage, the District adopted two rate structures for its commodity charge, non-drought (base) rate structure and temporary drought rate structure. The temporary drought rates are implemented in accordance with the District's Drought Management Plan. The drought rates represent a progressive pricing scale for responding to water supply limitations and were developed to reinforce water conservation. The drought rates were imposed because of projected reductions in the consumption of water during existing drought conditions and its impact on District's revenues.

In September 2009 the District's Board of Directors adopted an ordinance that authorized the District to pass through to its water service customers, for the next five years: increased purchased water wholesale costs from the SDCWA (not to exceed 12% per year); an inflation-indexed rate increase for the next five years for increases to the District's cost of operations and maintenance and capital facilities (not to exceed the greater of (1) the annual percentage increase, if any, in San Diego Consumer Price Index for all urban customers, or (2) 5%); any revenue lost by the District, not to exceed 10% annually, in the event the State exercises its right under Proposition 1A to take tax revenues.

About 75% of the District's water revenues are collected from commodity charge. The District's commodity charge is a three tiered rate structure with higher rates per unit of water as the level of consumption increases, a water conservation based pricing. Commodity revenues vary from month to month depending on water consumption. Non-drought and drought commodity rates range from \$1.79 to \$3.34 per 748 gallons.

A fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Customers pay a typical bill of \$23.75 per month for their monthly system access charge. The SDCWA Infrastructure Access Charge (IAC) is imposed by SDCWA on the District for the purpose of recovering certain SDCWA infrastructure costs. Customers pay a typical bill of \$2.02 per month for their monthly SDCWA IAC charge.

Wastewater (Sewer) Operations

The District owns and operates 4S Ranch Water Reclamation Facility to provide sewer collection and treatment services to two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

Sewer revenues consist of service and standby fees. The District's sewer fees and charges were revised in July 2009 in order to be compliant with California Urban Water Conservation Council's Best Management Practice No. 11 (BMP-11.) BMP-11 provides conservation-based pricing guidelines for water agencies that provide retail sewer service. The revised sewer rate consists of two components: a system access charge, which is a fixed charge; and a commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through May) for each single family residential customer is capped at 10 hundred cubic feet (HCF). The cap of 10 HCF was based on the 90th percentile of minimum wintertime water usage over the last three years. Other sewer customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's sewer operations, as well as capital improvement expenditures.

Service and standby fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently the District bills approximately 6,602 equivalent dwelling units for wastewater discharged from residential and commercial customers.

4S Recycled Water Operations

The 4S Ranch Water Reclamation Facility is capable of treating wastewater effluent to California Administrative Code Title 22 levels so that treated water from this plant can be used for irrigation purposes within the area through the 4S on-site recycled water facilities. Under an agreement with the 4S developers, the District has pledged the 4S recycled Net Water Sales Revenue as additional security for repayment of the 2002 Variable Rate Taxable bonds. Therefore, 4S Recycled Water System is accounted for separately from the District's water operations.

Recycled water revenues are collected from commodity rates. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption. The recycled commodity rate is set at \$2.34 per 748 gallons or 85% of average commodity water rates.

Statement of Revenues, Expenses and Changes in Net Assets

	Fiscal Year ended June 30		
	2010	2009	2008
Revenues			
Operating Revenues:			
Water sales	\$ 32,982,238	\$ 31,225,792	\$ 29,998,376
Sewer charges	4,053,951	3,429,002	2,889,643
Other operating revenues	1,402,552	1,084,088	711,067
Total Operating Revenues	38,438,741	35,738,882	33,599,086
Nonoperating Revenues:			
Capacity charges	811,782	1,978,289	4,520,998
Investment income	433,991	1,021,182	2,093,089
Benefit assessment	1,593,028	1,608,792	1,650,563
Property tax	2,866,424	2,913,362	2,847,329
Other nonoperating revenues	428,793	284,972	3,902
Total Revenues	44,572,759	43,545,479	44,714,967
Expenses			
Operating Expenses:			
Cost of water sold	16,174,616	15,323,095	15,867,843
Depreciation	10,520,489	9,529,179	9,235,015
General and administrative	3,764,172	3,676,817	3,682,529
Pumping and water treatment	3,168,594	3,009,607	2,469,936
Transmission and distribution	3,297,681	2,917,128	3,335,832
Sewer collection and treatment	1,652,561	1,504,800	1,481,740
Customer services	1,207,371	1,098,765	1,021,502
Facilities maintenance	660,740	761,114	796,041
Elfin Forest recreation operations	44,260	52,196	57,233
Total Operating Expenses	40,490,484	37,872,701	37,947,671
Nonoperating Expenses:			
Interest expense, net	2,234,478	2,510,433	2,917,352
Other nonoperating, net	961,275	506,139	869,673
Total Expenses	43,686,237	40,889,273	41,734,696
Income before Capital Contributions	886,522	2,656,206	2,980,271
Capital Contributions	21,794,139	25,623,359	17,375,599
Changes in Net Assets	22,680,661	28,279,565	20,355,870
Beginning Net Assets	332,503,784	304,224,219	283,868,349
Ending Net Assets	\$ 355,184,445	\$ 332,503,784	\$ 304,224,219

Highlights of Statement of Revenues, Expenses, and Changes in Net Assets

Revenues

Total revenue as reported on the Statement of Revenues, Expenses and Changes in Net Assets for fiscal year ended June 30, 2009, was \$44.6 million. This total includes \$38.4 million in operating revenues and \$6.2 million of non-operating revenues.

Operating Revenues increases were due to the pass through purchased water wholesale cost increases on the District's water rate and charges and revenues collected from sewer fees and charges. Water sales volume was down by approximately 13% due to water conservation efforts and variation in weather conditions. The District has been very aggressive in educating District customers through its water conservation programs to deal with the ongoing water supply shortage caused by dry weather conditions and environmental restrictions on water pumping from the Sacramento-San Joaquin Bay Delta. Increase in sewer revenue is primarily due to the conservation based pricing rate structure to comply with BMP-11 and additional parcels of property receiving sewer service. The District collects sewer service charges through the county's property tax rolls.

Nonoperating Revenues were lower compared to previous years mainly due to the decrease in capacity (connection) charge revenues and investment income.

Expenses

Total expenses for fiscal year ended June 30, 2010 was \$43.7 million. Included in total expenses were \$40.5 million in operating expenses and \$3.2 million in non-operating expenses.

Operating Expenses were increased compared to the previous year primarily due to the 18% increase in purchased water wholesale costs and acceleration of depreciation and amortization expense. Other operating cost increases were attributed to the increase in labor, supply, and maintenance cost to operate the David McCollom Water Treatment Plant and 4S Ranch Water Reclamation Facility.

Nonoperating Expenses were slightly lower compared to prior years due to the reduction in interest expense on long-term debt as a result of debt refinancing activities. Fluctuations in other non-operating expenses for the last three fiscal years were due to loss on abandonment of assets.

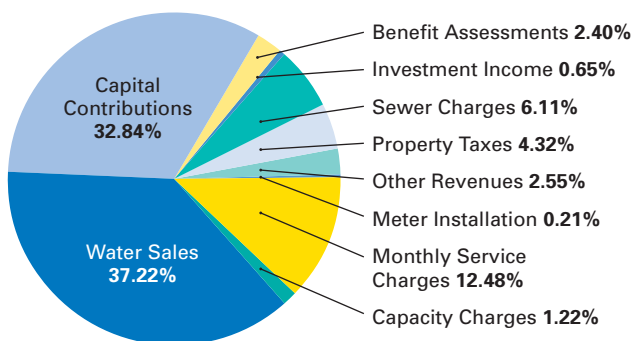
Income before Capital Contributions showed a reduction from prior years because of less revenues collected from capacity (connection) fees over the years, a lower yield on District's investment income, and an increase in depreciation expense as a result of Settlement Agreement as described in note 16.

Capital Contributions represent federal and state grant monies and contributed cash and capital assets from developers. In Fiscal Year 2009-10, the District received less federal and state grant monies.

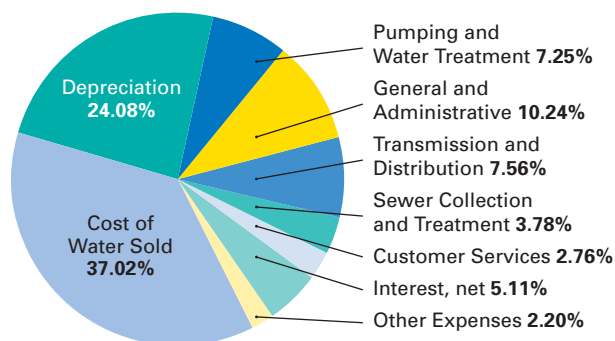
Changes in Net Assets

Changes in Net Assets for fiscal year ended June 30, 2010 were \$22.7 million, which was comprised of an increase from income before capital contributions of \$0.9 million and an increase from capital contributions of approximately \$21.8 million.

Sources of Revenues Fiscal Year Ended June 30, 2010



Sources of Expenses Fiscal Year Ended June 30, 2010



The District's financial performance has been strong as evidenced by the District's strong unrestricted fund balance and healthy debt service coverage.

Restrictions, Commitments, and Limitations

Capital Assets and Improvement Program

Condensed Schedule of Capital Assets

Description	As of June 30, 2010	As of June 30, 2009	As of June 30, 2008
Capital Assets, net of depreciation	\$ 335,681,273	\$ 330,440,333	\$ 302,649,790
Construction In Progress	11,220,724	9,599,945	14,925,995
Net Capital Assets	\$ 346,901,997	\$ 340,040,278	\$ 317,575,785

The District's capital assets were financed through a combination of current revenues, available reserves from the capital fund, capacity (connection) fee fund, and debt issuances. The Construction In Progress (CIP) is being funded using the Pay-As-You-Go method from cash collected from unrestricted funds such as service revenues, reserves and restricted funds such as grants and developers' fees. The District's CIP is expected to fluctuate from year to year depending on the construction cost of infrastructure projects that are currently under construction or are in the planning stages. The District updates its Comprehensive Master Plan (CMP) every five years. The District's CMP combines all facilities planning efforts within the District's enterprise areas: potable water, wastewater, and recycled water, into one document which addresses existing and future facility needs. The 2010 Comprehensive Master Plan Update will be completed in February 2011.

The District's net capital assets in service as of June 30, 2010 were \$346.9 million net of \$87.2 million in accumulated depreciation. Included in the total net capital assets is \$11.2 million in construction in progress, representing water, wastewater, and recycled capital improvement projects in various stages of construction. The increase in the net capital assets over the last three fiscal years was due to the increase in the District's capital expenditures for water, sewer, and recycled water infrastructures.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System starting in September 2007. Under GASB Statement No. 34, eligible infrastructure capital is not required to be depreciated if all requirements are met.

The Tank Assessment Index (TAI) established by the District is 5.0. The current average TAI is well above the established index, increasing to 8.55 in 2010 from 8.27 in 2009. The current lowest TMI is 6.30, and the highest is 10.0. There is no significant difference between the estimated and actual amounts to maintain and preserve infrastructure assets at target condition during the current period.

Additional details regarding capital assets and the modified approach can be found in note 4 to the basic Financial Statements and in note 2 of the Required Supplementary Information.

Debt Administration

The District currently has four bond issues outstanding: the Reassessment District 96-1 Limited Obligation Improvement Bond, the 2002 Variable Rate Subordinate Water Revenue Limited Obligation Certificates of Participation (taxable), the 2006 Water Revenue Refunding Bonds, and the 2009 Water Revenue Bonds.

The District's outstanding bonded indebtedness as of June 30, 2010 is as follows:

Schedule of Bond Indebtedness

For Fiscal Year Ended 2009

Description	Year Issued	Total Bonds Sold	Final Maturity Date	Interest Rate Range		Outstanding Principal As of June 30, 2010		
				From	To	Current	Long Term	Total
Reassessment District No. 96-1 LOIB	2007	17,965,000	09/02/27	4.00%	5.00%	645,000	16,150,000	16,795,000
2002 Variable Rate Taxable Recycled Water System	2002	13,950,000	06/01/22	Various*	12.000%	500,000	7,900,000	8,400,000
2006A Water Revenue Refunding Bonds	2006	38,940,000	06/01/28	3.00%	4.375%	1,290,000	31,995,000	33,285,000
2009 Water Revenue Bonds	2009	19,175,000	06/01/39	2.50%	5.000%	345,000	18,540,000	18,885,000

Note: Calculated weekly at a variable rate determined by the remarketer of the certificates based on market rates
For the year ended June 30, 2010, annualized interest rate was 0.37%

Details regarding long-term debt are located in note 7 to the Basic Financial Statements.

For the fiscal year ended June 30, 2010, the ratio of special assessment debt with government commitment to assessed value was 0.09% and the net special assessment debt with government commitment per capita was \$232.30. The 2006A Water Revenue Refunding Bonds and the 2009 Water Revenue Bonds are rated "AA+" by Standard & Poor's and "AA" by

Fitch. The 2002 variable rate taxable bonds are rated "AA-/A-1+" by Standard & Poor's based on the credit quality of Bank of America, which established the current irrevocable direct pay letter of credit which expires in February 2011.

Additional details regarding long-term debt are located in note 7 to the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The District is relatively mature at approximately 85% build-out. The ultimate build-out will take some time to reach due to the current downturn in the economy and slow growth in new development, and as such the District anticipates slowed but continued growth at approximately 1-2% average each year.

While Southern California continues to face a water supply shortage, there have been recent positive indicators as to the severity of the shortage. The increase in winter snowpack, combined with persistent spring storms statewide, allowed the California Department of Water Resources to increase its allocation of the State Water Project (SWP) deliveries to Southern California to 40% of those requested. This represents an amount equal to the entire allocation from SWP deliveries from the previous year. Despite these improvements, the District's water wholesalers, San Diego County Water Authority (SDCWA) and Metropolitan Water District of Southern California, continue to remain at the Level 2 Drought Alert Condition.

Since the District's customers conserved water above and beyond the targets set in 2010, the District's Board of Directors determined that the conditions warranted a return to Drought Level 1 conservation levels and pricing. The District continues to urge its customers to conserve water in order to meet the District's retail allocation set by SDCWA.

For the past five years, purchased water wholesale costs have increased on average by approximately 11%. Meanwhile, restrictions on pumping water from the Sacramento-San Joaquin Bay Delta continue to limit the amount of water that can be delivered to Southern California.

Sustainable practices, such as recycled water, conservation and potable water reuse must be incorporated into Southern California's water plans for the future. The District continues to look for local, long-term water supplies to reduce our dependence on imported water, including advanced technologies such as potential treatment of brackish groundwater and increasing the availability of recycled water through the North San Diego County Regional Water Project.

After completing its annual review of sewer rates and charges, the District's Board of Directors voted in April 2010 to hold the line on sewer rates and charges rather than increase rates as had been forecasted last year. The District does not have long-term debts from its sewer operations. All sewer improvements are funded on a Pay-As-You-Go basis from its sewer user rates.

The Board's support of raising revenues by adopting the pass through ordinance (for a five year period until 2014), and its revenue and debt management policy, has helped reduce revenue and expense volatility and contributes to the District's strong financial condition. The District continues to seek ways to improve business processes and employee productivity through investment in technology to achieve the lowest cost of service possible.

Contacting the District's Financial Management

This financial report is designed to provide the District's rate payers, bond investors and other interested parties with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives and the stewardship of the facilities it maintains. If you have questions about this report or need additional information, contact the Olivenhain Municipal Water District's Finance Department at 1966 Olivenhain Road, Encinitas, California 92024, call the District (760) 753-6466, or send inquires to our website at www.omwd.com.

Comparative Statements of Net Assets

June 30, 2010 and 2009

Assets

	2010	2009
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 28,552,892	\$ 15,838,086
Investments	19,323,977	14,633,034
Accounts receivable - water and sewer, net	6,717,168	5,875,061
Interest receivable	79,967	160,782
Taxes and assessments receivable	30,142	11,842
Other receivables	115,675	108,968
Inventories	801,337	929,065
Prepaid expenses and deposits	88,778	159,416
Total unrestricted assets	55,709,936	37,716,254
Restricted assets:		
Cash and cash equivalents	28,399,144	10,876,592
Investments	8,593,830	9,367,786
Interest receivable	5,063	-
Taxes and assessments receivable	350,388	356,618
Grants receivable	196,211	269,385
Prepaid expenses	1,913	1,500
Total restricted assets	37,546,549	20,871,881
Total current assets	93,256,485	58,588,135
Noncurrent assets:		
Capital assets, nondepreciable	39,028,552	37,210,225
Capital assets, depreciable/amortizable, net	307,873,445	302,830,053
Capital assets, net	346,901,997	340,040,278
Unamortized debt issuance costs	2,193,673	1,940,892
Total noncurrent assets	349,095,670	341,981,170
Total assets	442,352,155	400,569,305

See accompanying independent auditors' report and notes to basic financial statements..

Continued

Liabilities	2010	2009
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	\$ 5,482,162	\$ 4,649,799
Accrued payroll	304,993	244,198
Customer deposits	709,734	229,236
Payable related to work in progress	171,900	202,494
Compensated absences, current portion	590,000	570,000
Current portion of long-term debt		
Water Revenue Bonds	345,000	-
Water Revenue Refunding Bonds	1,290,000	1,245,000
Certificates of Participation	500,000	500,000
Special Assessment Debt with Government Commitment	645,000	620,000
Total liabilities payable from unrestricted assets	10,038,789	8,260,727
Liabilities payable from restricted assets:		
Accounts payable	1,423,817	642,936
Interest payable	442,391	386,075
Construction deposits	45,040	23,883
Total liabilities payable from restricted assets	1,911,248	1,052,894
Total current liabilities	11,950,037	9,313,621
Noncurrent liabilities:		
Compensated absences	281,370	276,324
Other post employment benefit obligations	150,030	166,338
Long-term debt, excluding current portion		
Water Revenue Bonds	18,936,269	-
Water Revenue Refunding Bonds	31,751,930	33,028,363
Certificates of Participation	7,900,000	8,400,000
Special Assessment Debt with Government Commitment	16,198,074	16,880,875
Total noncurrent liabilities	75,217,673	58,751,900
Total liabilities	87,167,710	68,065,521
Net Assets		
Invested in capital assets, net of related debt	286,610,326	279,366,040
Restricted for:		
Debt service	4,393,352	3,004,356
Construction	13,967,347	16,814,631
Total restricted	18,360,699	19,818,987
Unrestricted	50,213,420	33,318,757
Total net assets	\$ 355,184,445	\$ 332,503,784

See accompanying independent auditors' report and notes to basic financial statements..

Comparative Statements of Revenues, Expenses, & Changes in Net Assets

For the years ended June 30, 2010 and 2009

	2010	2009
Operating Revenues:		
Water sales	\$ 32,982,238	\$ 31,225,792
Sewer charges	4,053,951	3,429,002
Other water operating revenues	1,402,552	1,084,088
Total operating revenues	38,438,741	35,738,882
Operating Expenses:		
Cost of purchased water sold	16,174,616	15,323,095
Pumping and water treatment	3,168,594	3,009,607
Transmission and distribution	3,297,681	2,917,128
Sewer collection and treatment	1,652,561	1,504,800
Elfin Forest recreation operations	44,260	52,196
Facilities maintenance	660,740	761,114
Customer services	1,207,371	1,098,765
General and administrative	3,764,172	3,676,817
Depreciation and amortization	10,520,489	9,529,179
Total operating expenses	40,490,484	37,872,701
Operating income (loss)	(2,051,743)	(2,133,819)
Nonoperating Revenues (Expenses):		
Investment income	433,991	1,021,182
Property taxes	2,866,424	2,913,362
Capacity charges	811,782	1,978,289
Benefit assessments	1,593,028	1,608,792
Other nonoperating revenues	428,793	284,972
Interest expense, net	(2,234,478)	(2,510,433)
Other nonoperating expenses	(961,275)	(506,139)
Total nonoperating revenues (expenses)	2,938,265	4,790,025
Income before capital contributions	886,522	2,656,206
Capital contributions	21,794,139	25,623,359
Change in net assets	22,680,661	28,279,565
Net Assets:		
Beginning of year	332,503,784	304,224,219
End of year	\$ 355,184,445	\$ 332,503,784

See accompanying independent auditors' report and notes to basic financial statements.

Comparative Statements of Cash Flows

For the years ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Receipts from water and sewer customers	\$ 38,143,599	\$ 35,994,048
Payments for water	(15,581,214)	(16,135,118)
Payments for services and supplies	(5,671,945)	(7,658,020)
Payments for employee wages, benefits, and related costs	(6,866,700)	(6,574,522)
Net cash provided by operating activities	10,023,740	5,626,388
Cash Flows from Noncapital and Related Financing Activities:		
Property taxes and benefit assessments received	4,447,382	4,471,500
Net cash provided by noncapital & related financing activities	4,447,382	4,471,500
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(9,372,742)	(15,998,422)
Proceeds from capital contributions	13,567,882	4,715,246
Construction deposits and reimbursements received (refunded)	21,157	1,197,960
Proceeds from issuance of debt	19,207,750	-
Principal paid on bonds and certificates of participation	(2,690,000)	(4,700,000)
Interest paid on bonds and certificates of participation	(2,733,602)	(2,420,786)
Capacity charges received	811,782	1,978,289
Proceeds from sale of capital assets	30,200	-
Other capital financing receipts	412,482	480,104
Other capital financing expenses paid	(113,577)	(221,167)
Net cash used by capital and related financing activities	19,141,332	(14,968,776)
Cash Flows from Investing Activities:		
Net change in investments	(3,893,285)	2,718,889
Investment income received	518,189	1,065,404
Net cash provided (used) by investing activities	(3,375,096)	3,784,293
Net increase (decrease) in cash and cash equivalents	30,237,358	(1,086,595)
Cash and cash equivalents, beginning of year	26,714,678	27,801,273
Cash and cash equivalents, end of year	\$ 56,952,036	\$ 26,714,678
Financial Statement Presentation:		
Cash and cash equivalents	\$ 28,552,892	\$ 15,838,086
Cash and cash equivalents - restricted assets	28,399,144	10,876,592
Total cash and cash equivalents	\$ 56,952,036	\$ 26,714,678

See accompanying independent auditors' report and notes to basic financial statements.

Continued

	2010	2009
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ (2,051,743)	\$ (2,133,819)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,520,489	9,529,179
Changes in operating assets and liabilities:		
Receivables	(775,640)	414,101
Inventories	127,728	11,082
Prepaid expenses and deposits	70,225	(4,628)
Accounts payable	1,582,650	(2,114,532)
Accrued payroll and compensated absences	85,841	42,252
Other post employment benefit obligations	(16,308)	41,688
Customer deposits	480,498	(158,935)
Net cash provided by operating activities	\$ 10,023,740	\$ 5,626,388
Noncash Investing and Financing Activities:		
Customer contributions of capital assets	\$ 8,226,257	\$ 20,908,113
Amortization of debt issuance costs, deferred amount on refunding, and premiums	\$ 121,504	\$ 122,234
Unrealized gains (losses) on investments	\$ 23,702	\$ 228,777

See accompanying independent auditors' report and notes to basic financial statements.

Concluded

Notes to the Basic Financial Statements

For the years ended June 30, 2010 and 2009

1. Summary of Significant Accounting Policies

a. Organization

The Olivenhain Municipal Water District (District) is a governmental corporation governed by an elected five member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District and the Olivenhain Municipal Water District Financing Corporation (Corporation).

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 4S Regional Recycled Water Fund, 4S 2002 Taxable Bond Fund, 2006 Water Revenue Refunding Bond Fund and 2009 Water Revenue Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub funds for the basic financial statements of the District.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements, which include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows, report information on all of the enterprise activities of the District. These basic financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards.

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to business enterprises, where the intent of the District is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The basic financial statements are prepared using the "economic resource" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering water in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses and Changes in Net Assets.

The District has elected under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting, to apply all GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

c. Cash, Cash Equivalents and Investments

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value. Investment pool deposits are carried at the District's proportionate share of the fair value of each pool's underlying portfolio.

State Investment Pool

The District participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

Investment Valuation

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Restricted Cash and Investments with Fiscal Agents

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

Deposit and Investment Risk Disclosures

In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for deposit and investment risk are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

d. Water Sales

Water sales revenue is recorded when service is rendered, including an estimated amount for unbilled service.

e. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to receivables when it is probable that the accounts will be uncollectible. Water and sewer accounts receivable at June 30, 2010 and 2009, have been reduced by an allowance for doubtful accounts of \$100,000 and \$62,000, respectively.

f. Inventories

Materials inventory is stated at the lower of current average cost or market. Water inventory is stated at its purchase cost using the first-in, first-out method.

g. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

h. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

i. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Donated assets are valued at their estimated fair market value on the date accepted. The District capitalizes all assets with a historical cost of at least \$1,500 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10–75 years
Non-steel tanks	10–60 years
General plant	3–40 years
Capacity Rights	17 years

The District is amortizing Capacity Rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34 a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

j. Capitalized Interest

Interest costs, less interest earned, on related borrowings are capitalized during the construction period of major capital asset additions. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the estimated useful life of the related asset. Capitalized interest amounted to \$557,200 and \$4,062 for the years ended June 30, 2010 and 2009, respectively.

k. Debt Issuance Costs

Debt issuance costs are deferred and amortized over the term of the related debt.

l. Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Changes in compensated absences for the year ended June 30, 2010, were as follows:

Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
\$846,324	\$608,474	\$583,428	\$871,370

The current portion of compensated absences payable is \$590,000 and \$570,000 at June 30, 2010 and 2009 respectively.

m. Capital Contributions

Capital contributions are recorded when the District receives cash contributions or accepts contributions of capital assets in kind or when governmental construction grants are earned. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Changes in Net Assets.

n. Property Taxes

The County of San Diego (the “County”) bills and collects property taxes on behalf of the District. The County’s tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

o. Capacity Charges

Capacity charges are paid by new customers prior to connecting to the District’s system. Such charges are periodically adjusted based upon changes in construction costs and other factors, and are intended to compensate the District for a new customer’s equitable share of current and future system capacity. Capacity charges are, except in rare circumstances, nonrefundable and are recorded as nonoperating revenues when collected.

p. Net Assets

In the statement of net assets, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.

Restricted Net Assets – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net asset consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”.

q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

r. Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2010 and 2009 are classified in the accompanying financial statements as follows:

	2010	2009
Statement of Net Assets:		
Current Assets:		
Cash and cash equivalents	\$28,552,892	\$15,838,086
Restricted cash and cash equivalents	28,399,144	10,876,592
Investments	19,323,977	14,633,034
Restricted investments	8,593,830	9,367,786
Total cash and investments	<u>\$ 84,869,843</u>	<u>\$ 50,715,498</u>
Cash and investments consist of the following:		
Cash on hand	\$1,500	\$1,500
Deposits with financial institutions	19,905,759	13,208,220
Investments	64,962,584	37,505,778
Total cash and investments	<u>\$ 84,869,843</u>	<u>\$ 50,715,498</u>

Investments Authorized by the California Government Code and the District's Investment policy:

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	25%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	1,000,000
Certificates of Deposit	3 years	30%	None
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	20%	None
Medium-Term Notes	5 years	15%	None
Money Market Mutual Funds	N/A	20%	5%
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund (LAIF)	N/A	20%	20,000,000

Investments Authorized by Debt Agreements:

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2010.

Investment Type	Remaining Maturity (in Months)				
	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months	
Local Agency Investment Fund	\$ 90,957	\$ 90,957	\$ -	\$ -	\$ -
California Asset Management Program	30,387,768	30,387,768	-	-	-
Money Market Mutual Funds	3,171,868	3,171,868	-	-	-
Medium Term Notes	1,006,100	1,006,100	-	-	-
Commercial Paper	998,580	998,580	-	-	-
U.S. Government Sponsored Entities	4,904,616	-	3,904,218	1,000,398	-
U.S. Treasury Obligations	24,402,695	14,290,391	8,041,210	2,071,094	-
Total	\$ 64,962,584	\$ 49,945,664	\$ 11,945,428	\$ 3,071,492	\$ -

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2009.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Local Agency Investment Fund (LAIF)	\$ 90,124	\$ 90,124	\$ -	\$ -	\$ -
California Asset Management Program (CAMP)	13,538,603	13,538,603	-	-	-
Money Market Mutual Funds	1,561,532	1,561,532	-	-	-
Medium Term Notes	1,009,630	-	1,009,630	-	-
U.S. Treasury Obligations	21,305,889	18,841,166	-	2,464,723	-
Total	\$ 37,505,778	\$ 34,031,425	\$ 1,009,630	\$ 2,464,723	\$ -

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating for each investment type at June 30, 2010.

Investment Type		Min. Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Local Agency Investment Fund	\$ 90,957	N/A	\$ -	\$ -	\$ -	\$ -	\$ 90,957
California Asset Management Program	30,387,768	AA	-	30,387,768	-	-	-
Money Market Mutual Funds	3,171,868	AAA	-	3,171,868	-	-	-
Medium Term Notes	1,006,100	AA	-	-	1,006,100	-	-
Commercial Paper	998,580	A	-	-	-	998,580	-
U.S. Government Sponsored Entities	4,904,616	AAA	-	4,904,616	-	-	-
U.S. Treasury Obligations	24,402,695	N/A	24,402,695	-	-	-	-
Total	\$ 64,962,584		\$ 24,402,695	\$ 38,464,252	\$ 1,006,100	\$ 998,580	\$ 90,957

Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating for each investment type at June 30, 2009.

Investment Type		Min. Legal Rating	Exempt from Disclosure	Rating as of Year End		
				AAA	AA	Not Rated
Local Agency Investment Fund	\$ 90,124	N/A	\$ -	\$ -	\$ -	\$ 90,124
California Asset Management Program	13,538,603	AA	-	13,538,603	-	-
Money Market Mutual Funds	1,561,532	AAA	-	1,561,532	-	-
Medium Term Notes	1,009,630	AA	-	-	1,009,630	-
U.S. Treasury Obligations	21,305,889	N/A	21,305,889	-	-	-
Total	\$ 37,505,778		\$ 21,305,889	\$ 15,100,135	\$ 1,009,630	\$ 90,124

Concentration of Credit Risk:

The investment policy of the District contains various limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District has no investment in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represents 5% or more of the District's investments.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2010, \$3,195,605 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

Local Agency Investment Fund (LAIF):

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

California Asset Management Program (CAMP):

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The District reports its investment in CAMP at the fair value amounts provided by CAMP, which is the same value of the pool share. At June 30, 2010 and 2009 the fair value approximated is the District's cost.

3. Net Assets**a. Restricted Net Assets**

Restricted net assets at June 30 consisted of the following:

	2010	2009
Net assets restricted for debt service		
Restricted Assets		
Cash	\$ 2,122,302	\$ 1,760,564
Investments	2,581,135	1,561,248
Interest receivable	5,063	-
Prepaid expenses	1,913	-
Taxes/assessments receivable	129,812	121,003
Total restricted assets for debt service	4,840,225	3,442,815
Less liabilities payable from restricted assets	(446,873)	(438,459)
Net assets restricted for debt service	4,393,352	3,004,356
Net assets restricted for construction		
Restricted Assets		
Cash	26,276,842	9,116,028
Investments	6,012,694	7,806,538
Grants receivable	196,212	269,385
Taxes/assessments receivable	220,576	235,615
Prepaid expenses	-	1,500
Total restricted assets for construction	32,706,324	17,429,066
Less liabilities from restricted assets	(1,464,375)	(614,435)
Less: long-term debt attributable to unspent proceeds of debt	(17,274,602)	-
Net assets restricted for construction	13,967,347	16,814,631
Total restricted net assets	\$ 18,360,699	\$ 19,818,987

b. Unrestricted Net Assets

In addition to the restricted net assets, a portion of the unrestricted net assets have been reserved by management for the following purposes as of June 30:

	2010	2009
Capital replacement reserve	\$ 30,215,922	\$ 15,335,278
Rate stabilization reserve	7,954,650	7,278,069
Unreserved	12,042,848	10,705,410
	\$ 50,213,420	\$ 33,318,757

4. Capital Assets

Changes in capital assets for the year ended June 30, 2010, were as follows:

	Balance July 1, 2009	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 12,303,005	\$ -	\$ (1,095,951)	\$ -	\$ 11,207,054
Steel water storage tanks	15,307,275	-	-	1,293,499	16,600,774
Construction in progress	9,599,945	9,839,202	(202,749)	(8,015,674)	11,220,724
Total capital assets, not being depreciated	37,210,225	9,839,202	(1,298,700)	(6,722,175)	39,028,552
Capital assets, being depreciated/amortized:					
Treatment and distribution system	196,770,936	8,009,725	(81,903)	4,219,056	208,917,814
Capacity Rights	-	27,685,052	-	-	27,685,052
Non-steel tanks	30,104,286	-	-	1,085,090	31,189,376
General plant	155,155,212	477,870	(29,777,315)	1,418,029	127,273,796
Total capital assets, being depreciated/amortized	382,030,434	36,172,647	(29,859,218)	6,722,175	395,066,038
Accumulated depreciation/amortization:					
Treatment and distribution system	(42,896,779)	(4,755,075)	46,244	-	(47,605,610)
Capacity Rights	-	(421,012)	-	-	(421,012)
Non-steel tanks	(4,332,261)	(614,483)	-	-	(4,946,744)
General plant	(31,971,341)	(4,729,919)	2,482,033	-	(34,219,227)
Total accumulated depreciation/amortization	(79,200,381)	(10,520,489)	2,528,277	-	(87,192,593)
Total capital assets, being depreciated/amortized, net	302,830,053	25,652,158	(27,330,941)	6,722,175	307,873,445
Total capital assets, net	\$ 340,040,278	\$ 35,491,360	\$ (28,629,641)	\$ -	\$ 346,901,997

Depreciation expense for depreciable capital assets was \$10,099,477 and \$9,529,179 for the years ended June 30, 2010 and 2009, respectively. Amortization expense for amortizable capital assets was \$421,012 and \$0 for the years ending 2010 and 2009, respectively.

Construction in progress consisted of the following at June 30:

	2010	2009
Jacob J. Krauss Storage & Maintenance Facility Expansion	\$ 2,397,484	\$ 631,775
4S Wastewater Firehouse Pump Station	795,143	153,502
Unit AA Pipeline	2,356,899	1,539,140
4S-I Reservoir Inlet Pipeline	-	2,774,464
DCM WTP LT2 Improvements	3,458,554	2,042,747
Other capital projects	2,212,644	2,458,317
Total construction in progress	\$ 11,220,724	\$ 9,599,945

5. Accounts Payable, to be paid from Unrestricted Current Assets

Accounts payable to be paid from unrestricted current assets was as follows at June 30:

	2010	2009
Water purchases	\$ 3,178,767	\$ 2,585,365
Capital asset additions	1,312,901	1,207,183
Other	990,494	857,251
Total	\$ 5,482,162	\$ 4,649,799

6. Accounts Payable, to be paid from Restricted Current Assets

Accounts payable, to be paid from restricted current assets was as follows at June 30:

	2010	2009
Capital asset additions	\$ 1,372,242	\$ 379,328
Other	51,572	263,608
	\$ 1,423,814	\$ 642,936

7. Long-Term Debt

Changes in long-term debt for the year ended June 30, 2010 were as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
2002 Certificates of Participation	\$ 8,900,000	\$ -	\$ (500,000)	\$ 8,400,000	\$ 500,000
Revenue Bonds:					
2009 Water Revenue Bonds Payable	-	19,175,000	(290,000)	18,885,000	345,000
Plus unamortized bond premiums	-	405,275	(9,006)	396,269	-
2006 Water Revenue Refunding Bonds Payable	34,530,000	-	(1,245,000)	33,285,000	1,290,000
Less unamortized deferred amount on refunding	(439,082)	-	23,211	(415,871)	-
Plus unamortized bond premiums	182,445	-	(9,644)	172,801	-
Revenue Bonds, net	34,273,363	19,580,275	(1,530,439)	52,323,199	1,635,000
2007 Reassessment 96-1 Limited Obligation Improvement Bonds	17,450,000	-	(655,000)	16,795,000	645,000
Plus original issue premium	50,875	-	(2,801)	48,074	-
2007 Reassessment 96-1 Limited Obligation Improvement Bonds, net	17,500,875	-	(657,801)	16,843,074	645,000
Total	\$ 60,674,238	\$ 19,580,275	\$ (2,688,240)	\$ 77,566,273	\$ 2,780,000

a. Variable Rate Subordinate Certificates of Participation Payable

On July 2, 2002, the Corporation issued Variable Rate Subordinate Water Revenue Certificates of Participation (taxable) Series 2002 (regional recycled water system) in the principal amount of \$13,950,000 under the terms of a trust agreement between the District, the Corporation, and the bond trustee (Trustee), a commercial trust company. The proceeds are to be used for the construction of a recycled water system, the establishment of reserve funds, and the payment of bond issuance costs.

The certificate holders will be paid principal and interest by the Trustee from funds received by the Corporation from the District under an installment agreement. The District has entered into ancillary agreements with the real estate developer (Developer) who owns the property within the District's service area that will be served by the recycled water facilities. Under the trust agreement and these ancillary agreements, the District will pay the Corporation the required installment payments from funds provided under a letter of credit or other credit facilities established by the Developer to fund the installment payments. Under the agreement with the Developer, the Developer will continue making the debt service payments until the recycled system's net operating revenues equal or exceed 120% of the actual operating costs plus the annual projected debt service on the certificates of participation for two consecutive years.

The District accounts for the Developer's debt service payments as capital contributions when they are paid to the Trustee. The certificates are subject to mandatory annual redemption beginning June 1, 2003 and ending at maturity on June 1, 2022. Interest is calculated weekly at a variable rate and paid monthly. The weekly interest rate is determined by the remarketer of the certificates based upon market rates. Interest expense on the certificates of participation for the years ended June 30, 2010 and 2009, amounted to \$32,559 and \$215,318, respectively. The interest rate at June 30, 2010 was .45%.

A summary of the certificates follows:

Fiscal year maturities (varying amounts)	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
2010-2022	\$ 8,900,000	\$ -	\$(500,000)	\$ 8,400,000

Future debt service requirements for the above certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 500,000	\$ 37,613	\$ 537,613
2012	590,000	35,329	625,329
2013	590,000	32,674	622,674
2014	590,000	30,019	620,019
2015	670,000	27,334	697,334
2016-2020	3,690,000	90,169	3,780,169
2021-2022	1,770,000	11,486	1,781,486
Total	\$ 8,400,000	\$ 264,624	\$ 8,664,624

b. 2006 Water Revenue Refunding Bonds Payable

On February 14, 2006, the Corporation issued Water Revenue Refunding Bonds Series 2006A in the principal amount of \$38,940,000 under the terms of a trust agreement between the District, the Corporation, and the bond trustee (Trustee), a commercial trust company. The proceeds were used to refund a portion of the District Water Revenue Certificates of Participation (Series 1997), to provide for a Reserve Fund surety, and to pay the costs of issuance incurred in connection therewith.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees.

The District has pledged a portion of the future net service revenue for the debt service payment of the bonds. The total principal and interest remaining to be paid on the bonds is \$48,030,758. For the current year, principal and interest paid on the bonds were \$2,677,101. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield, during each fiscal year net revenues equal to one hundred twenty-five percent (115%) of the debt service on senior obligations for such fiscal year, and one hundred percent 100% of debt service on all obligations for such fiscal year.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
4%	2010-2020	\$ 16,760,000	\$ -	\$1,245,000	\$ 15,515,000
4.100-4.375%	2021-2026	12,755,000	-	-	12,755,000
4.375%	2028	5,015,000	-	-	5,015,000
		<u>\$ 34,530,000</u>	<u>\$ -</u>	<u>\$1,245,000</u>	<u>\$ 33,285,000</u>

The Water Revenue Refunding Bonds outstanding at June 30, 2010, consisted of serial certificates which mature, annually from June 1, 2005 to June 1, 2026, and term certificates which mature on June 1, 2028. The serial bonds are callable by the Corporation at par plus a premium on or after June 1, 2006. The term bonds are subject to mandatory sinking fund redemption without premium.

Total certificates outstanding as of June 30, 2010, net of unamortized deferred amount on refunding and unamortized bond premiums were as follows:

Principal outstanding at June 30, 2010	\$ 33,285,000
Less unamortized deferred amount on refunding	(415,871)
Plus unamortized bond premium	172,801
Net bonds outstanding at June 30, 2010	<u>\$ 33,041,930</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	1,290,000	1,378,001	2,668,001
2012	1,345,000	1,326,218	2,671,218
2013	1,395,000	1,272,251	2,667,251
2014	1,455,000	1,216,251	2,671,251
2015	1,510,000	1,157,868	2,667,868
2016-2020	8,520,000	4,829,306	13,349,306
2021-2025	10,405,000	2,939,090	13,344,090
2026-2028	7,365,000	626,773	7,991,773
Total	<u>\$33,285,000</u>	<u>\$14,745,758</u>	<u>\$48,030,758</u>

c. 2009 Water Revenue Bonds Payable

On October 21, 2009, the District issued \$19,175,000 of 2009 Water Revenue Bonds which consisted of serial bonds and term bonds. The serial bonds mature annually from June 1, 2010 to June 1, 2028 and bear varying interest rates between 2.5% and 5.0%. The term bonds mature on June 1, 2031 to June 1, 2039 and bear varying interest rates between 4.5% and 5.00%. The Bonds maturing on or before June 2019 are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after June 2020 are subject to optional redemption on any date on or after June 2019 in whole or in part from redemption of the Installment Payments made at the option of the District pursuant to the Installment Purchase Contract at redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date without premium.

The District has pledged a portion of the future net service revenue for the debt service payment of the bonds. The total principal and interest remaining to be paid on the bonds is \$34,902,100. For the current year, principal and interest paid on the bonds were \$856,206. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, revise and collect rates, fees and charges for the Water Service which will be at least sufficient to yield, during each fiscal year net revenues equal to one hundred twenty-five percent (115%) of the debt service on senior obligations for such fiscal year, and one hundred percent 100% of debt service on all obligations for such fiscal year.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
2.50%	2010	\$ -	\$290,000	\$ 290,000	\$ -
3.00-4.00%	2011-2019	-	3,615,000	-	3,615,000
4.00-5.00%	2020-2039	-	15,270,000	-	15,270,000
		\$ -	\$19,175,000	\$ 290,000	\$ 18,885,000

Total certificates outstanding as of June 30, 2010, net of unamortized bond premiums were as follows:

Principal outstanding at June 30, 2010	\$ 18,885,000
Less unamortized deferred amount on refunding	396,269
Net bonds outstanding at June 30, 2010	<u>\$ 19,281,269</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	345,000	857,375	1,202,375
2012	360,000	843,575	1,203,575
2013	370,000	832,775	1,202,775
2014	385,000	817,975	1,202,975
2015	400,000	802,575	1,202,575
2016-2020	2,235,000	3,783,975	6,018,975
2021-2025	2,760,000	3,259,700	6,019,700
2026-2030	3,455,000	2,563,875	6,018,875
2031-2035	4,310,000	1,709,275	6,019,275
2036-2040	4,265,000	546,000	4,811,000
Total	<u>\$18,885,000</u>	<u>\$16,017,100</u>	<u>\$34,902,100</u>

d. 2007 Reassessment District 96-1 Limited Obligation Improvement Bonds

In September 2007, the District issued Reassessment District 96-1 Limited Obligation Improvement Bonds, Series 2007 in the principal amount of \$17,965,000 pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds. The Bonds were issued upon and secured by unpaid reassessments levied against certain property within the District's Reassessment District 96-1. The proceeds were used to refund the outstanding principal amount of the District's Assessment District 96-1, Limited Obligation Improvement Bonds, to fund a reserve fund for the Bonds, and to pay the costs of issuance incurred in connection therewith.

Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
4-4.5%	2010-2022	\$11,385,000	\$ -	\$ 655,000	\$10,730,000
5.000%	2023-2027	6,065,000	-	-	6,065,000
		<u>\$17,450,000</u>	<u>\$ -</u>	<u>\$ 655,000</u>	<u>\$16,795,000</u>

The Limited Obligation Improvement Bonds outstanding at June 30, 2010, consist of serial certificates which mature annually from September 2, 2008, to September 2, 2022, and term certificates which mature on September 2, 2027.

Total certificates outstanding as of June 30, 2010, plus original issuance premium were as follows:

Principal outstanding at June 30, 2010	\$16,795,000
Plus unamortized bond premium	48,074
Net bonds outstanding at June 30, 2010	<u>\$16,843,074</u>

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 645,000	\$ 736,434	\$ 1,381,434
2012	675,000	709,634	1,384,634
2013	695,000	681,967	1,376,967
2014	725,000	653,167	1,378,167
2015	750,000	620,990	1,370,990
2016-2020	4,255,000	2,593,118	6,848,118
2021-2025	5,250,000	1,523,382	6,773,382
2026-2028	3,800,000	227,917	4,027,917
Total	<u>\$ 16,795,000</u>	<u>\$ 7,746,609</u>	<u>\$ 24,541,609</u>

8. Capital Contributions

Capital contributions for the years ended June 30 were as follows:

	2010	2009
Contributions of capital assets	\$ 8,226,357	\$ 20,908,113
Contributions of cash	13,033,777	3,902,096
Federal grants	-	22,925
Other grants	-	58,037
Contributions of debt service	534,005	732,188
Total	<u>\$21,794,139</u>	<u>\$ 25,623,359</u>

9. Inventories

Inventories at June 30 consisted of the following:

	2010	2009
Water inventory	\$ 173,418	\$ 172,161
Materials inventory	627,919	756,904
	<u>\$ 801,337</u>	<u>\$ 929,065</u>

10. Defined Benefit Pension Plan

a. Plan Description

The District's defined benefit pension plan, Miscellaneous Plan for Olivenhain Municipal Water District (District's Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District's Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The District's Plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

b. Funding Policy

District employees are required to contribute 8% of their annual covered salary of which the District pays 5% on behalf of the employees. Beginning 7/1/2010, District managers and supervisors will pay 5.5% of the employee contribution. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the years ended June 30, 2010 and 2009 was 11.118% and 10.523%, respectively. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

c. Annual Pension Cost

For the year ended June 30, 2010, the District's annual pension cost was \$798,080 and was funded. The required contribution for fiscal year ended June 30, 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45%, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.00%.

The District's Plan unfunded actuarial accrued liability (or excess assets) is amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for the District Plan is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$724,700	100%	\$ -
6/30/09	816,352	100%	-
6/30/10	798,080	100%	-

d. Funding Status

As of June 30, 2004, the District's miscellaneous plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required as information is not specific to the District.

11. Other Post Employment Benefits

a. Plan Description

The District administers two single-employer defined benefit healthcare plans: the Retired Employee Health Plan (REHP) and the Retired Board Member Health Plan (RBMHP). As of the June 30, 2010 actuarial valuation, there are 81 members in REHP and 2 board members in RBMHP. Separately issued audited financial statements are not available for either plan.

The REHP defined benefit plan is based on the District's Administrative and Ethics Code Article 5 which states that the District will contribute a flat fee of \$1.00/month/calendar year of service toward the monthly health insurance premiums exclusively between ages 55 to 65. Retiring employees must have completed a minimum of 5 years of District service to qualify for this program. The retiree is responsible for the balance of the monthly premium to the District. This program benefit must be coordinated with COBRA rights.

The RBMHP provides a lifetime health and dental insurance coverage plan to eligible former Directors and their dependents as permitted under California Government Code Section 53200 et. seq., which provides that the District may continue to pay medical benefits for retired Board members with at least 12 years of service, provided their term of office began before January 1, 1995. If a retired Board Director chooses to discontinue health benefits, the District shall not reinstate the benefit at a later date. Retired Board members whose term of office commenced on or after January 1, 1995, must pay for their own medical benefits regardless of their years of service.

b. Funding Policy

REHP:

The District will contribute \$1.00/month/calendar year of service for retired employee between ages 55 to 65 if the retired employee is under either the COBRA plan or Kaiser Health Insurance Plan ("Kaiser"). The Retired employee will be responsible to pay for the remaining balance of the COBRA or Kaiser. The District does not make any contribution for eligible retired employees that use other health insurance plans. Thus if the employee retires at least at age 53 1/2 and stays with COBRA for 18 months then the employee is still eligible to participate in the REHP.

REHP Benefit provisions are established and amended through negotiations between the District and the employee associations, known as the Bargaining Unit Members Association (BUMA) and the Olivenhain Municipal Water District Employees Association (OMWDEA). The next negotiation will take place in the second half of 2012 and will be effective as of January 1, 2013.

RBMHP:

The District will provide former Board of Directors and their eligible dependents with full coverage of medical and vision benefits if the Directors have at least 12 years of service and their term of office began before January 1, 1995. As of the June 30, 2010 actuarial valuation, the District had 2 (two) retired Directors who are eligible for this plan. All types of health insurance plans that are currently offered through ACWA, a community rated plan, as well as the Kaiser Health Insurance Plan are available for their choice. RBMHP benefits cease upon the death of the retiree and are not extendable to living dependents. During the fiscal year ended June 30, 2010, one of the members in this plan passed away. The June 30, 2010 actuarial valuation factored in this change. Subsequent to June 30, 2010, one of the retired board members passed away. Future valuations will include this change.

RBMHP Benefit provisions are established based on California Government Code Section 53200. RBMHP can be amended from time to time by the Board of Directors of the District.

c. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal annual cost. Any unfunded actuarial liability (or funding excess) is amortized over a period not to exceed thirty years. The RBMHP is closed to new entrants. Therefore, there is no minimum amortization period.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	REHP	RBMHP	Total
Annual Required Contribution (ARC)	\$ 7,526	\$ 25,766	\$ 33,292
Interest on net OPEB obligation	755	5,067	5,822
Adjustment to Annual Required Contribution (ARC)	(1,373)	(31,001)	(32,374)
Annual OPEB cost	6,908	(168)	6,740
Contributions made	-	(23,048)	(23,048)
Decrease in net OPEB obligation	6,908	(23,216)	(16,308)
Net OPEB obligation - beginning of year	21,563	144,775	166,338
Net OPEB obligation - end of year	\$ 28,471	\$ 121,559	\$ 150,030

Three-year trend information for the District Plan is as follows:

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2010, 2009 and 2008 were as follows:

	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2010			
The Retired Employee Health Plan	\$ 6,908	0.00%	\$ 28,471
The Retired Board Member Health Plan	(168)	100.00%	121,559
	\$ 6,740		\$ 150,030
2009			
The Retired Employee Health Plan	\$ 8,271	0.00%	\$ 21,563
The Retired Board Member Health Plan	51,144	34.66%	144,775
	\$ 59,415		\$ 166,338
2008			
The Retired Employee Health Plan	\$ 7,196	7.32%	\$ 13,292
The Retired Board Member Health Plan	69,608	31.82%	111,358
	\$ 76,804		\$ 124,650

d. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The District plans to fund this obligation on a Pay-As-You-Go basis due to minimal financial impact of the obligation. The total actuarial liability for benefits was \$168,622, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$168,622. The covered payroll (annual payroll of active employees covered by the plan) was \$5,190,532, and the ratio of the UAAL to the covered payroll was 3 percent.

	The Retiree Health Plan	The Retired Board Member Health Plan	Total
Actuarial Accrued Liability (AAL)	\$ 52,286	\$ 116,336	\$ 168,622
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 52,286	\$ 116,336	\$ 168,622
Funded ratio (actuarial value of plan assets or AAL)	0%	0%	0%
Covered payroll (active plan members)	\$ 5,190,532	-	\$ 5,190,532
UAAL as a percentage of covered payroll	1%	0%	3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

e. Actuarial Methods and Assumptions

An alternative measurement method allowed under GASB 45 for employers with fewer than 100 plan members was used in this actuarial valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

REHP:

Cost Method - in the June 30, 2010, actuarial valuation, the Entry Age actuarial Cost Method Level Dollar was used.

Amortization Method - The REHP's Unfunded Actuarial Accrued Liability is being amortized as a Level Normal Dollar on an open basis. As of the June 30, 2010 actuarial valuation, the amortization period for the plan was 22 years.

Rate - the actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), a 4.0% annual inflation rate and a 4% projected payroll growth rate.

Healthcare Cost Trend Rate - A healthcare cost trend rate is not applicable to this plan since the District will contribute a set dollar amount rather than an estimate of future costs.

Retirement age for active employees - active plan members were assumed to be at age 55 which is the age used in CalPERS pension calculations for the District (2.5% at 55). Active employees age 55 or older are assumed to retire in the first projected year. For active employees who start their service with the District at age 55 or older, they are assumed to retire in five years after their date of entry.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Eligibility - a plan member is eligible for REHP if they have a minimum 5 years of service AND at least age 55 (with or without COBRA) OR at least age 53 1/2 with 18 months continuous COBRA coverage when they reach their actual or assumed retirement age.

RBMHP:

Cost Method - in the June 30, 2010 actuarial valuation, the Entry Age Actuarial Cost Method Level Dollar was used.

Rate - the actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses) and a 4% annual inflation rate.

Amortization Method - The RBMHP's Unfunded Actuarial Accrued Liability is being amortized as a Level Normal Dollar on a closed basis. Since the RBMHP is only offered to Directors who started their term at the District prior to January 1, 1995, this plan is not open to new entrants. As of the June 30, 2010 actuarial valuation, the amortization period for the plan is five years.

Healthcare Cost Trend Rate - the District assumed that healthcare costs will increase at 10 percent in the first three years and then decreasing to 5.5 percent in year 4 and remaining at that level.

Health Insurance Premium - the health insurance premium for medical and vision as of June 30, 2010 was used as the basis for calculation of the present value of total benefits to be paid. The District assumed that the plan members will have the same health insurance coverage throughout their retirement. The retired Board members participate in ACWA and Kaiser plans.

Each participating employer in the same geographic region pays the same premium rates and is covered by the same plans. The premium rates reflect the projected health claims experience of all participating employers rather than that of any single participating employer and the insurer or provider organization charges the same unadjusted premium for both active employees and retirees.

Life Expectancy - plan members' life expectancy is derived from Life Table for Male (Table 2) and Female (Table 3) available on the Center for Disease Control Website www.cdc.gov/nchs/data/nvsr/nvsr58/nvsr58_21.pdf based on the 2006 US Population. The spouse of a plan member will no longer be covered under the plan when the plan member reaches his/her life expectancy.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws. Commercial insurance expense amounted to \$226,931 and \$207,282 for the years ended June 30, 2010 and 2009, respectively.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a riskpooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to \$100,516 and \$141,648 for the years ended June 30, 2010 and 2009, respectively.

There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

The claims payable was \$0 at June 30, 2010 and 2009.

13. Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District continues to offset its potable water consumption used for irrigation with recycled water through expansion of its recycled water system. The imported water supply shortage drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water from SDCWA.

14. Segment Information

a. Identification

The District's identifiable activities are generally distinguished as water, sewer and recycled activities. The District's 4S recycling activity, which would otherwise be considered as water activities, is reported as a segment because of the pledge of the revenues of the 4S regional recycled water system as described in note 7a.

The District's water activities include its water and recycled water operations except for 4S recycling operations described in the next paragraph. The District accounts for water activities in the various self balancing groups of accounts as described in note 1a.

The District's sewer activities include sewer collection and treatment costs from the 4S Ranch Sanitation District and Rancho Cielo Sanitation District operations. The sewer activities are part of the 4S Water Reclamation Facility. The District accounts for its sewer activities in its sewer sub funds.

The District accounts for its 4S recycling operations in its 4S Regional Recycled Water and 4S 2002 Taxable Bond sub funds to comply with the 4S Kelwood-Olivenhain Municipal Water District Wastewater and Recycled Water Agreement.

b. Condensed Statement of Net Assets

	2010			
	Water	Sewer	4S Recycling	Total
Current assets	\$ 43,545,580	\$ 9,786,809	\$ 2,377,547	\$ 55,709,936
Restricted assets (current)	36,920,664	290,647	335,238	37,546,549
Capital assets, net	277,634,476	52,630,281	16,637,240	346,901,997
Other noncurrent assets	1,943,704	-	249,969	2,193,673
Total assets	360,044,424	62,707,737	19,599,994	442,352,155
Current liabilities	(9,095,257)	(397,333)	(546,199)	(10,038,789)
Current liabilities payable from restricted assets	(1,854,350)	(53,791)	(3,106)	(1,911,247)
Compensated absences, long-term	(281,370)	-	-	(281,370)
Other post employment benefit obligations	(150,030)	-	-	(150,030)
Long-term debt	(66,886,274)	-	(7,900,000)	(74,786,274)
Total liabilities	(78,267,281)	(451,124)	(8,449,305)	(87,167,710)
Invested in capital assets, net of related debt	225,742,805	52,630,281	8,237,240	286,610,326
Restricted	17,791,711	236,856	332,132	18,360,699
Unrestricted	38,242,627	9,389,476	2,581,317	50,213,420
Net assets	\$281,777,143	\$ 62,256,613	\$ 11,150,689	\$ 355,184,445

c. Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2010			
	Water	Sewer	4S Recycling	Total
Water sales and sewer charges	\$ 31,977,592	\$ 4,053,951	\$ 1,004,646	\$ 37,036,189
Other operating revenues	1,398,266	-	4,286	1,402,552
Total operating revenues	33,375,858	4,053,951	1,008,932	38,438,741
Depreciation	(8,854,412)	(1,326,098)	(339,979)	(10,520,489)
Other operating expenses	(27,217,916)	(2,241,517)	(510,562)	(29,969,995)
Total operating expenses	(36,072,328)	(3,567,615)	(850,541)	(40,490,484)
Operating income (loss)	(2,696,470)	486,336	158,391	(2,051,743)
Nonoperating revenues (expenses):				
Investment income	363,283	55,750	14,958	433,991
Property taxes & benefit assessments	4,371,705	87,747	-	4,459,452
Capacity charges	811,782	-	-	811,782
Interest expense, net	(2,201,918)	-	(32,560)	(2,234,478)
Other nonoperating revenues (expenses), net	(486,689)	-	(45,793)	(532,482)
Nonoperating revenues	2,858,163	143,497	(63,395)	2,938,265
Income before contributions & transfers	161,693	629,833	94,996	886,522
Capital Contributions	18,963,458	2,217,909	612,772	21,794,139
Transfers in (out)	1,925,976	1,305,515	(3,231,491)	-
Change in net assets	21,051,127	4,153,257	(2,523,723)	22,680,661
Net assets, beginning of year	260,726,016	58,103,356	13,674,412	332,503,784
Net assets, end of year	\$281,777,143	\$ 62,256,613	\$ 11,150,689	\$ 355,184,445

d. Condensed Statements of Cash Flows

	2010			
	Water	Sewer	4S Recycling	Total
Net cash and cash equivalents provided (used) by:				
Operating activities	\$ 7,465,641	\$ 2,049,430	\$ 508,669	\$ 10,023,740
Noncapital & related financing activities	4,377,935	69,447	-	4,447,382
Capital & related financing activities	20,907,211	(1,026,262)	(739,617)	19,141,332
Investing activities	(3,646,267)	257,942	13,229	(3,375,096)
Net change in cash and cash equivalents	29,104,520	1,350,556	(217,719)	30,237,358
Cash and cash equivalents, beginning of year	20,379,770	4,499,724	1,835,184	26,714,678
Cash and cash equivalents, end of year	\$49,484,290	\$ 5,850,280	\$1,617,465	\$ 56,952,036

15. Commitments and Contingencies

a. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets.

Unfulfilled commitments under open contracts as of June 30, 2010, are summarized as follows:

Total open contracts	\$9,545,133
Less costs incurred as of June 30, 2010	(2,817,216)
Remaining contractual commitments	<u>\$6,727,917</u>

b. Litigation

Management is of the opinion that there are no legal litigations that would have a material effect on the basic financial statements.

16. Settlement Agreement

On March 25, 2010 a settlement agreement was entered into between the District, the San Diego County Water Authority, and the City of San Diego. The settlement agreement stipulated that the San Diego County Water Authority pay the District \$13,500,000 and provide storage rights up to 3,449 acre-feet of water in the San Diego County Water Authority system for a period of seventeen (17) years. In exchange the District will transfer all rights of storage in the Olivenhain Reservoir. The San Diego County Water Authority will lease to the District the Elfin Forest Reserve for a term of twenty-five (25) years. Rent shall be \$1 per year. During the term of the lease the cost of operation of the Elfin Forest Reserve will be shared by the San Diego County Water Authority and the District with 75% of the cost borne by the San Diego County Water Authority and 25% borne by the District. At the conclusion of the lease the Water Authority has an exclusive option to acquire a staging area at a price that is 25% of its fair market value in its then "as is" condition.

Required Supplementary Information

For the years ended June 30, 2010, 2009, and 2008

1. Schedule of Funding Progress

Other Post Employment Benefits (OPEB)

The Retired Employee Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2008	-	\$48,331	\$48,331	-	\$4,825,180	1.00%
6/30/2009	-	56,768	56,768	-	5,112,260	1.11%
6/30/2010	-	52,286	52,286	-	5,190,532	1.01%

The Retired Board Member Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2008	-	\$802,011	\$802,011	-	-	0.00%
6/30/2009	-	554,227	554,227	-	-	0.00%
6/30/2010	-	116,336	116,336	-	-	0.00%

2. Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

- The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:
- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2009/2010 inspections on the various tanks occurred between August 2009 and June 2010. During fiscal year 2008/2009 inspections on the various tanks occurred between November 2008 and June 2009.

The following conditions were defined:

Condition	TAI Range
Very Good	9.0–10.0
Good	7.0–8.9
Satisfactory	5.0–6.9
Sub Standard	3.0–4.9
Unacceptable	1.0–2.9

The District policy is to achieve a minimum average rating of 5.0 for all tanks which is a satisfactory rating. As of June 30, 2010, 2009 and 2008, the District's steel water storage tanks were rated as follows:

Tank #	Name	Size (Gallons)	Type	TAI		
				FY 09/10	FY 08/09	FY 07/08
1	Palms #2 Tank	1,200,000	Ground Storage	6.3	6.5	6.5
2	Zorro Tank	1,200,000	Ground Storage	9.1	9.3	9.3
3	Wiegand Tank	1,000,000	Ground Storage	9	9.2	9.3
4	Peay Tank	10,000,000	Ground Storage	6.3	6.5	6.5
5	Denk Tank	10,000,000	Ground Storage	9.3	10	6.1
6	4S Tank	10,000,000	Ground Storage	10	6.6	6.6
7	Cielo Tank	1,000,000	Ground Storage	10	8.6	8
8	Roger Miller Tank	8,000,000	Ground Storage	7.9	8.6	10
9	Thelma Miller Tank	1,000,000	Ground Storage	9	9.1	9.3

The District expensed \$456,864 on the steel water storage tanks maintenance for the fiscal year ended June 30, 2009 and 2010. These expenses delayed deterioration, however the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2010 is a minimum of \$456,864. A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

Tank #	Name	Maintenance Expenses					
		2010		2009		2008	
		Budget	Actual	Budget	Actual	Budget	Actual
1	Palms #2 Tank	\$18,395	\$18,395	\$18,395	\$18,395	\$15,329	\$15,329
2	Zorro Tank	23,570	23,570	23,570	23,570	19,642	19,642
3	Wiegand Tank	17,705	17,705	17,705	17,705	14,754	14,754
4	Peay Tank	93,755	93,755	93,755	93,755	78,129	78,129
5	Denk Tank	99,400	99,400	99,400	99,400	82,833	82,833
6	4S Tank	94,200	94,200	94,200	94,200	78,500	78,500
7	Cielo Tank	7,955	7,955	7,955	7,955	6,629	6,629
8	Roger Miller Tank	83,210	83,210	83,210	83,210	69,342	69,342
9	Thelma Miller Tank	18,674	18,674	18,674	18,674	15,562	15,562
	Total	\$456,864	\$456,864	\$456,864	\$456,864	\$380,720	\$380,720

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Comprehensive Annual Financial Report

Statistical Section



Reach Out by Karrie McGuigan
Winner, 2010 OMWD Photo Contest - Plant & Animal Category

Statistical Section

Government Accounting Standards Board (GASB) Statement No. 44 “Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)” requires that statistical information be presented as part of the Comprehensive Annual Financial Report.

Contents

Table No.

Financial Trends

I-II

These tables show the current and historical financial trends regarding the nature of investments and ownership during the reporting period to assess the liquidity and financial strength of the District.

Net Assets is the accumulated value of the District’s assets less liabilities. Changes in Net Assets (Total Revenue less Total Expenses) measures the success of the District’s operations during the reporting period and its ability to meet its financial commitments.

Revenue Capacity

III-IX

These tables provide more detailed information about the District’s revenues and expenses. Tables presented in this section show the District’s activities during the reporting year broken down by sources to provide the reader with more information in assessing the District’s financial health over the reporting period. These tables can also be used to assess whether or not the District has successfully recovered all of its costs through its users fees and other charges.

The District’s user rates and charges are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. The District is in compliance with Article XIID of the California State Constitution and Proposition 218 Omnibus Implementation Act.

While the District does not assess a special tax rate, it receives a proportionate amount of ad-valorem tax as established by Proposition 13. The District levies and collects a special assessment through the San Diego County Tax Assessor office for Reassessment District 96-1 bonds.

Debt Capacity

X-XIII

These tables provide information on the District’s ability to issue additional debts in the future.

Demographic and Economic Information

XIV-XV

Tables presented in this section will help the reader assess the District’s community profile. Since the District’s service area overlaps between several major cities and include an unincorporated area, statistical information included in these tables represent the San Diego County economic data as a whole. Demographic and Economic data presented have been collected from reasonably accurate sources, however, they should not be relied on in connection with any issuance of bonds.

Operating Information

XVI-XVII

Tables presented contain internal information about the District’s water, recycled water, and sewer operations to measure operational efficiency.



Peaceful Meadow by Taylor Beason

Winner, Youth, 2010 OMWD Photo Contest - Black & White Category

Table I - Net Assets by Component Last Nine Fiscal Years

	Fiscal Year ended June 30								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary government									
Invested in capital assets, net of related debt	286,610,326	279,366,040	254,257,148	238,629,147	209,012,566	176,730,901	156,064,397	131,775,179	107,226,831
Restricted	18,360,699	19,818,987	20,789,011	16,762,040	17,750,420	12,295,961	15,184,737	22,789,912	37,099,088
Unrestricted	50,213,420	33,318,757	29,178,060	28,477,162	18,938,554	17,742,042	18,621,010	22,518,908	13,074,578
Total Net Assets	\$ 355,184,445	\$ 332,503,784	\$ 304,224,219	\$ 283,868,349	\$ 245,701,540	\$ 206,768,904	\$ 189,870,144	\$ 177,083,999	\$ 157,400,497

Source: Olivenhain Municipal Water District.

NOTES: Per GASB 34, classifications of Net Assets changed in Fiscal Year 2001-2002. No Net Assets information available prior to Fiscal Year 2001-2002.

Table II - Changes in Net Assets Last Nine Fiscal Years

	Fiscal Year ended June 30								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operating Revenues									
Water sales	\$ 32,982,238	\$ 31,225,792	\$ 29,998,376	\$ 28,917,367	\$ 25,441,872	\$ 21,941,887	\$ 21,673,202	\$ 20,991,527	\$ 21,063,893
Sewer charges	4,053,951	3,429,002	2,889,643	2,937,363	2,274,325	1,692,483	1,492,686	1,164,738	886,236
Other water operating revenues	1,402,552	1,084,088	711,067	1,524,153	1,441,483	1,462,634	1,132,823	1,106,585	391,056
Total operating revenues	38,438,741	35,738,882	33,599,086	33,378,883	29,157,680	25,097,004	24,298,711	23,262,850	22,341,185
Operating Expenses									
Cost of purchased water sold	\$ 16,174,616	\$ 15,323,095	\$ 15,867,843	\$ 13,099,000	\$ 12,343,206	\$ 10,201,737	\$ 10,503,177	\$ 10,189,663	\$ 10,714,679
Pumping and water treatment	3,168,594	3,009,607	2,469,936	2,865,126	2,310,893	2,091,029	1,575,170	1,369,605	544,888
Transmission and distribution	3,297,681	2,917,128	3,335,832	1,999,934	2,026,759	1,511,098	1,952,477	1,610,208	1,570,368
Sewer collection and treatment	1,652,561	1,504,800	1,481,740	1,234,635	1,167,039	1,080,854	909,566	690,091	359,238
Elfin Forest recreation operations	44,260	52,196	57,233	57,469	54,666	79,285	37,966	261,991	307,775
Facilities maintenance	660,740	761,114	796,041	611,202	567,131	548,656	503,257	365,644	416,645
Customer services	1,207,371	1,098,765	1,021,502	994,594	978,405	998,589	892,262	771,091	692,237
General and administrative	3,764,172	3,676,817	3,682,529	3,790,112	3,398,196	3,284,526	2,588,174	1,941,088	1,555,260
Depreciation	10,520,489	9,529,179	9,235,015	8,799,907	7,596,444	6,147,824	5,606,901	5,214,051	2,952,108
Total operating expenses	40,490,484	37,872,701	37,947,671	33,451,979	30,442,739	25,943,598	24,568,949	22,413,432	19,113,198
Operating income (loss)	(2,051,743)	(2,133,819)	(4,348,585)	(73,096)	(1,285,059)	(846,594)	(270,238)	849,418	3,227,987
Nonoperating Revenues (expenses)									
Investment income	\$ 433,991	\$ 1,021,182	\$ 2,093,089	\$ 2,223,159	\$ 2,093,231	\$ 648,555	\$ 428,422	\$ 1,122,279	\$ 1,346,516
Property taxes	2,866,424	2,913,362	2,847,329	2,597,223	934,359	707,846	1,882,686	1,658,202	1,468,946
Capacity charges	811,782	1,978,289	4,520,998	5,399,591	7,068,163	3,896,353	4,140,252	4,619,472	3,653,913
Benefit assessments	1,593,028	1,608,792	1,650,563	1,854,294	1,897,860	1,997,735	2,009,455	2,132,670	2,169,193
Other nonoperating revenues	428,793	284,972	3,902	79,988	39,406	54,551	330,750	28,042	31,828
Interest expense, net	(2,234,478)	(2,510,433)	(2,917,352)	(3,209,821)	(3,501,549)	(2,215,555)	(2,197,379)	(1,903,284)	(28,619)
Other nonoperating expenses	(961,275)	(506,139)	(869,673)	(504,866)	(678,879)	(290,072)	(386,470)	(416,055)	(196,230)
Total nonoperating revenues (expenses)	2,938,265	4,790,025	7,328,856	8,439,568	7,852,591	4,799,413	6,207,716	7,241,326	8,445,547
Capital contributions	21,794,139	25,623,359	17,375,599	29,800,337	32,365,104	12,945,941	6,848,667	11,592,758	5,038,181
Change in net assets	22,680,661	28,279,565	20,355,870	38,166,809	38,932,636	16,898,760	12,786,145	19,683,502	16,711,715
NET ASSETS									
Beginning of year	332,503,784	304,224,219	283,868,349	245,701,540	206,768,904	189,870,144	177,083,999	157,400,497	140,688,782
End of year	355,184,445	332,503,784	304,224,219	283,868,349	245,701,540	206,768,904	189,870,144	177,083,999	157,400,497

Source: Olivenhain Municipal Water District.

NOTES: Per GASB 34, classifications of Net Assets changed in Fiscal Year 2001-2002. No Net Assets information available prior to Fiscal Year 2001-2002.

Table III - Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NON-OPERATING REVENUES					TOTAL REVENUE
	Water Sales ¹	Service Charges	Meter Installs	Sewer Charges	Other ²	Total Operating Revenues	Investment Income	Prop. Taxes & Benefit Assessment	Capacity Charges ³	Capital Contributions ⁴	Other ²	
2010	\$24,703,143	\$8,279,095	\$139,750	\$4,053,951	\$1,262,802	\$38,438,741	\$433,991	\$4,459,452	\$811,782	\$21,794,139	\$428,793	\$66,366,898
2009	23,925,551	7,300,241	33,925	3,429,002	1,050,163	35,738,882	1,021,182	4,522,154	1,978,289	25,623,359	284,972	69,168,838
2008	23,258,813	6,739,563	249,545	2,889,643	461,522	33,599,086	2,093,089	4,497,892	4,520,998	17,375,599	3,902	62,090,566
2007	22,675,627	6,241,740	325,910	2,937,363	1,198,243	33,378,883	2,223,159	4,451,517	5,399,591	29,800,337	79,988	75,333,475
2006	19,654,450	5,787,421	495,685	2,274,325	945,799	29,157,680	2,093,231	2,832,219	7,068,163	32,365,104	39,406	73,555,803
2005	16,707,240	5,234,647	238,950	1,692,483	1,223,684	25,097,004	648,555	2,705,581	3,896,353	12,945,941	54,551	45,347,985
2004	16,712,859	4,960,343	515,100	1,492,686	617,723	24,298,711	428,422	3,892,141	4,140,252	6,848,667	330,750	39,938,943
2003	16,272,319	4,719,208	624,450	1,164,738	482,135	23,262,850	1,122,279	3,790,872	4,619,472	11,592,758	28,042	44,416,273
2002	16,060,744	4,445,774	557,375	886,236	391,056	22,341,185	1,346,516	3,638,139	3,653,913	5,038,181	31,828	36,049,762
2001	14,768,668	4,218,015	380,605	450,181	435,166	20,252,635	2,018,007	3,002,796	4,541,685	7,257,843	29,388	37,102,354

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Includes potable, raw and recycled water sales. A detailed schedule of water sales is presented in Table V.
(2) Other revenues includes treated water sold back to SDCWA, fire meter, rental income, settlement, and demand offset fees.
(3) Capacity charge - charges paid by new customers prior to connecting to the District's system.
(4) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

Table IV - Expenses by Function

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING EXPENSES								NON-OPERATING EXPENSES			
	Cost of Water Sold	Pumping & Water Treatment	Transmission and Distribution	Sewer Collection & Treatment	Customer Services	Depreciation	Other Operating Expenses ²	Total Operating Expenses	Interest Expense	Other Nonoperating Expenses	Total Nonoperating Expenses	TOTAL EXPENSES
2010	\$16,174,616	\$3,168,594	\$3,297,681	\$1,652,561	\$1,207,371	\$10,520,489	\$4,469,172	\$40,490,484	\$2,234,478	\$961,275	\$3,195,753	\$43,686,237
2009	15,323,095	3,009,607	2,917,128	1,504,800	1,098,765	9,529,179	4,490,127	37,872,701	2,510,433	506,139	3,016,572	40,889,273
2008	15,867,843	2,469,936	3,335,832	1,481,740	1,021,502	9,235,015	4,535,803	37,947,671	2,917,352	869,673	3,787,025	41,734,696
2007	13,099,000	2,865,126	1,999,934	1,234,635	994,594	8,799,907	4,458,783	33,451,979	3,209,821	504,866	3,714,687	37,166,666
2006	12,343,206	2,310,893	2,026,759	1,167,039	978,405	7,596,444	4,019,993	30,442,739	3,501,549	678,879	4,180,428	34,623,167
2005	10,201,737	2,091,029	1,511,098	1,080,854	998,589	6,147,824	3,912,467	25,943,598	2,215,555	290,072	2,505,627	28,449,225
2004	10,503,177 ¹	1,575,170	1,952,477	909,566	892,262	5,606,901	3,129,396	24,568,949	2,197,379	386,470	2,583,849	27,152,798
2003	10,189,663 ¹	1,369,605	1,610,208	690,091	771,091	5,214,051	2,568,723	22,413,432	1,903,284	416,055	2,319,339	24,732,771
2002	10,714,679 ¹	544,888	1,570,368	359,238	692,237	2,952,108	2,279,680	19,113,198	28,619	196,230	224,849	19,338,047
2001	9,920,461	105,727	1,358,069	227,098	632,429	2,796,206	2,481,532	17,521,522	28,767	395,415	424,182	17,945,704

Source: Olivenhain Municipal Water District.

NOTES:

- (1) Shown as net of refunds received from MWD and SDCWA.
(2) Includes general operations expenses such as facilities and park maintenance, public relations, conservation, and other administrative costs.

Table V - Water Sales by Source¹ Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial		Agricultural		Untreated Water		Recycled Water		Total		Direct Rate ²
	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	Value	Acre Feet	\$/Acre Feet
2010	\$20,801,219	17,532.8	\$1,081,946	921.7	\$ -	-	\$2,380,764	2,498.3	\$24,263,929	20,952.8	\$1,158
2009	21,088,732	20,685.6	1,346,013	1,278.2	-	-	1,736,962	2,122.9	24,171,707	24,086.7	1,004
2008	20,314,572	21,786.0	1,390,749	1,487.1	-	-	1,478,086	1,919.5	23,183,407	25,192.6	920
2007	19,626,782	22,116.1	1,515,199	1,728.5	273,012	345.5	971,035	1,289.1	22,386,029	25,479.2	879
2006	16,501,254	19,530.0	1,598,822	1,898.2	223,356	293.8	546,071	730.1	18,869,503	22,452.1	840
2005	14,434,073	18,476.5	1,552,624	1,982.5	210,347	304.9	344,602	475.3	16,541,646	21,239.2	779
2004	14,502,142	18,975.0	1,839,073	2,389.4	267,922	407.1	268,968	376.3	16,878,105	22,147.8	762
2003	14,561,974	18,545.3	1,527,927	2,223.4	285,515	419.9	-	-	16,375,416	21,188.6	773
2002	14,159,445	17,334.8	1,516,148	2,108.7	385,151	592.8	-	-	16,060,744	20,036.3	802
2001	12,979,292	15,480.5	1,372,433	1,915.1	416,943	626.0	-	-	14,768,668	18,021.6	819

Source: Olivenhain Municipal Water District.

NOTES:

(1) Exclude estimates information for unbilled services.

(2) Calculated based on total water sales per fiscal year per acre foot of water. 1 acre-foot = 43,560 cubic feet = 325,000 gallons.

Table VI - Rate by Activity Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2010 ⁷	2009 ⁷	2008 ⁸	2007 ⁵	2006	2005 ⁴	2004	2003 ³	2002	2001
Potable Water¹										
Monthly System Access Charge	\$23.75	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	\$15.85	\$15.85
Monthly Commodity Charge										
Domestic Rate										
1 st Tier	1.79	1.58	1.45	1.42	1.37	1.32	1.29	1.29	1.30	1.45
2 nd Tier	2.88	2.55	2.23	2.11	2.03	1.95	1.63	1.63	1.82	1.87
3 rd Tier	3.68	3.25	2.60	2.45	2.43	2.34	1.79	1.79	2.36	2.41
4 th Tier	-	-	-	-	-	-	2.01	2.01	-	-
5 th Tier	-	-	-	-	-	-	2.34	2.34	-	-
Commercial Rate ²										
1 st Tier	3.03	2.67	2.33	2.19	2.11	2.03	1.82	1.82	1.82	1.87
2 nd Tier	3.84	3.39	2.71	2.55	2.45	2.36	2.36	2.36	2.36	2.41
Agricultural Rate	2.87	2.54	2.22	2.09	2.01	1.93	1.79	1.79	1.82	1.87
Credit	(0.27)	(0.33)	(0.30)	(0.27)	(0.27)	(0.27)	(0.35)	(0.35)	(0.33)	(0.33)
Untreated Water¹										
Monthly System Access Charge	\$23.75	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	\$15.85	\$15.85
Monthly Commodity Charge	-	2.50	1.99	1.87	1.80	1.73	1.55	1.55	1.55	1.55
Recycled¹										
Monthly System Access Charge	\$23.75	\$21.06	\$19.32	\$18.06	\$17.37	\$16.70	\$15.85	\$15.85	-	-
Monthly Commodity Charge	2.34	1.97	1.84	1.73	1.73	1.73	1.64	1.64	-	-
Sewer⁸										
Monthly System Access Charge per EDU										
4S Ranch	\$12.25	\$12.17	\$12.25	\$11.83	\$11.50	\$11.50	\$11.50	\$11.50	\$11.50	\$17.50
Rancho Cielo	12.25	12.17	15.25	14.75	14.33	14.33	14.33	14.33	14.33	-
Multi-Family and Commercial	12.25	12.17	12.17	11.83	11.50	11.50	11.50	11.50	11.50	17.50
Commodity Charge per Unit ⁹										
Domestic Rate	6.00	-	-	-	-	-	-	-	-	-
Multi-Family Rate	6.00	6.00	6.00	4.58	4.45	4.45	4.45	4.45	4.45	-
Commercial Rate										
Group I	6.00	6.00	6.00	4.58	4.45	4.45	4.45	4.45	4.45	-
Group II	9.29	7.00	7.00	6.23	6.05	6.05	6.05	6.05	6.05	-
Group III	15.86	14.00	14.00	12.75	12.38	12.38	12.38	12.38	12.38	-
Monthly Commodity Flat Charge per EDU										
Domestic Rate										
4S Ranch	-	32.42	30.33	29.33	28.50	28.50	28.50	28.50	28.50	-
Rancho Cielo	-	44.83	38.08	36.75	35.67	35.67	35.67	35.67	35.67	-

Source: Olivenhain Municipal Water District.

NOTES:

(1) Commodity rates shown are monthly charges per unit (1 unit = 748 gallons.) Rates are based on 3/4" size meter (the most common meter size.)

(2) Commodity charges by rate tier are calculated using seasonal allotments based on meter size. Summer tier rate allocations used are: 1st Tier (0-47 units), 2nd Tier (greater than 47 units.)

(3) In FY 2003, domestic tiered rate allocation for Water changed to: 1st Tier (0-8 units), 2nd Tier (9-23 units), 3rd Tier (24-50 units), 4th Tier (50-140 units), and 5th Tier (greater than 140 units.)

(4) In FY 2005, domestic tiered rate allocation for Water changed to 1st Tier (0-8 units), 2nd Tier (9-70 units), and 3rd Tier (greater than 70 units.)

(5) In FY 2007, domestic tiered rate allocation for Water was: 1st Tier (0-8 units), 2nd Tier (9-43 units), 3rd Tier (greater than 43 units.)

(6) In FY 2008, domestic tiered rate allocation for Water was: 1st Tier (0-6 units), 2nd Tier (7-43 units), 3rd Tier (greater than 43 units.)

(7) Temporary drought rate Level 1.

(8) Based on previous years water usage (1 unit = 748 gallons).

(9) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.

Table VII - Principal Water Consumers¹

Current Year and Nine Years Ago

Fiscal Year Ended 2010

Customer Name	Usage (AF)	% of Water Sold
Fairbanks Ranch Country Club	503.4	2.40%
4S Ranch Master HOA	480.9	2.30%
HCC Investors	323.1	1.54%
Crosby National Golf	296.1	1.41%
Del Mar Country Club	287.4	1.37%
Rancho Santa Fe Farms Golf	253.3	1.21%
La Costa Valley Master Assn.	172.2	0.82%
La Costa Oaks Assn.	160.2	0.76%
Crosby Estates HOA	150.5	0.72%
Continuing Life Communities	133.8	0.64%
Total top ten consumers	2,760.9	13.18%
Other consumers	18,191.9	86.82%
Total water billed	20,952.8	100.00%

Fiscal Year Ended 2001

Customer Name	Usage (AF)	% of Water Sold
HCC Investors	420.9	2.34%
Brammer, W.	355.4	1.97%
Del Mar Country Club	329.9	1.83%
Starwood Development	210.8	1.17%
Rancho Santa Fe Farms Golf	193.0	1.07%
M.K. Ranch	123.1	0.68%
Bernardo Spring	102.9	0.57%
Taylor Woodrow Homes	83.3	0.46%
Morgan Run Resort and Club	62.8	0.35%
Continuing Life Communities	61.1	0.34%
Total top ten consumers	1,943.2	10.78%
Other consumers	16,078.4	89.22%
Total water billed	18,021.6	100.00%

Source: Olivenhain Municipal Water District.

NOTES:

(1) Includes potable, untreated and recycled water.

Table VIII - Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	CURRENT YEAR LEVY ¹			Total Collections Thru 6/30	Net Uncollected at 6/30	Percent Uncollected at 6/30
	Property Taxes	Special Assessments ²	Total Levy			
2010	\$2,945,076	\$1,460,946	\$4,406,022	\$4,199,825	\$206,197	4.68%
2009	2,983,573	4,791,190	7,774,763	7,427,000	347,763	4.47%
2008	2,906,895	4,291,189	7,198,084	6,889,894	308,190	4.28%
2007	2,671,513	4,372,695	7,044,208	6,834,988	209,220	2.97%
2006	2,442,698	3,296,104	5,738,802	5,606,783	132,019	2.30%
2005	2,198,694	3,271,430	5,470,124	5,352,996	117,128	2.14%
2004	1,918,300	3,335,768	5,254,068	5,171,360	82,707	1.57%
2003	1,688,570	3,107,477	4,796,047	4,726,117	69,931	1.46%
2002	1,499,343	2,892,705	4,392,048	4,316,663	75,385	1.72%
2001	1,317,781	2,011,300	3,329,081	3,260,890	68,191	2.05%

Source: County of San Diego Office of the Auditor Controller and NBS.

NOTES:

(1) Excludes Sewer Service and Stand-by Charges.

(2) Special Assessment includes special assessment debt with government commitment (RAD 96-1).

Table IX - Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED			Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value	Tax Rate ¹
	Real Property	Personal Property	Exemptions				
2010	\$18,054,329,367	\$76,019,011	\$(165,626,556)	\$17,964,721,822	\$238,432,869	\$18,203,154,691	-
2009	18,217,797,984	50,690,988	(141,552,505)	18,126,936,467	226,579,931	18,353,516,398	-
2008	17,269,455,060	46,139,854	(118,398,187)	17,197,196,727	198,808,714	17,396,005,441	-
2007	15,376,035,184	40,031,782	(104,998,296)	15,311,068,670	183,788,737	15,494,857,407	-
2006	13,429,361,640	43,725,958	(90,145,599)	13,382,941,999	168,480,079	13,551,422,078	-
2005	11,928,227,651	3,002,103	(74,509,703)	11,856,720,051	201,688,600	12,058,408,651	-
2004	10,405,039,418	3,202,819	(55,644,804)	10,352,597,433	138,584,279	10,491,181,712	-
2003	9,141,974,147	3,003,892	(48,356,532)	9,096,621,507	98,309,908	9,194,931,415	-
2002	8,043,012,276	3,192,700	(45,005,159)	8,001,199,817	152,266,754	8,153,466,571	-
2001	6,138,545,788	3,143,777	(41,358,687)	6,100,330,878	89,714,767	6,190,045,645	-

Source: Office of the Auditor Controller, County of San Diego.

NOTES:

(1) The District neither set its own tax rate nor assess a tax rate. The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The County of San Diego bills and collects the District's sewer service and sewer stand-by charges on behalf of the District.

Table X - Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt ¹	Total Less: Reserve Funds	Net Bonded Debt	Net Secured Assessed Valuation ²	As a Debt to Assessed Valuation	Bonded Population Estimate	Share of Debt Per Capita	Personal Income	As a Share of Personal Income
2010	\$16,795,000	\$1,260,508	\$15,534,492	\$18,054,329,367	0.09%	66,872	\$232.30	\$3,059,126,512 ³	0.51%
2009	17,450,000	1,202,382	16,247,618	18,217,797,984	0.09%	65,889	246.59	3,092,697,882	0.53%
2008	17,965,000	2,482,064	15,482,936	17,269,455,060	0.09%	65,277	237.19	3,045,106,773	0.51%
2007	18,300,000	3,398,077	14,901,923	15,376,035,184	0.10%	62,250	239.39	2,857,959,750	0.52%
2006	18,860,000	3,248,321	15,611,679	13,429,361,640	0.12%	58,622	266.31	2,577,550,718	0.61%
2005	19,355,000	2,196,282	17,158,718	11,928,227,651	0.14%	57,068	300.67	2,367,351,844	0.72%
2004	20,000,000	3,236,340	16,763,660	10,405,039,418	0.16%	56,776	295.26	2,255,937,584	0.74%
2003	20,435,000	1,731,026	18,703,974	9,141,974,147	0.20%	54,477	343.34	2,015,757,954	0.93%
2002	21,065,000	1,926,388	19,138,612	8,043,012,276	0.24%	51,993	368.10	1,860,517,512	1.03%
2001	21,465,000	3,361,423	18,103,577	6,138,545,788	0.29%	40,090	451.57	1,390,521,650	1.30%

Source: Olivenhain Municipal Water District, the Office of the Auditor Controller, County of San Diego, SANDAG and Bureau of Economic Analysis.

NOTES:

(1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Re-Assessment District 96-1 Bond at the end of Fiscal Year. The District has no direct debt.

(2) Total Secured Assessed Valuation is the Total Secured Value of Land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.

(3) Per Capita Personal Income information for FY 2010 represents preliminary numbers calculated from the percentage change in Personal per Capita Income from California Department of Finance. Changes to the preliminary numbers will be updated in the next CAFR.

Table XI - Direct and Overlapping Debt June 30, 2010

2009-10 Assessed Valuation:	\$ 18,203,154,691
Redevelopment Incremental Valuation:	\$ 13,084,933
Adjusted Assessed Valuation:	\$18,190,069,758

	Total Debt 06/30/10	% Applicable ¹	District's Share of Debt 06/30/10
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 264,220,000	1.006%	\$ 2,658,053
Palomar Community College District	149,845,000	5.206	7,800,931
Poway Unified School District School Facilities Improvement District No. 2002-1	177,834,320	6.048	10,755,420
Poway Unified School District School Facilities Improvement District No. 2007-1	98,996,943	4.569	4,523,170
San Marcos Unified School District School Facilities I.D. No. 1	13,498,019	0.076	10,258
Escondido Union High School District	90,536,275	1.414	1,280,183
Cardiff School District	8,315,198	3.870	321,798
Encinitas Union School District	15,603,847	62.289	9,719,480
Escondido Union School District	52,149,622	1.472	767,642
Rancho Santa Fe School District	39,253,966	29.852	11,718,094
City of San Diego	4,340,000	0.191	8,289
Palomar Pomerado Hospital District	417,623,319	7.849	32,779,254
Poway Unified School District Community Facilities Districts	161,598,000	100.000	161,598,000
San Dieguito Union High School District Community Facilities Districts	86,560,000	10.579-100.000	41,469,778
Solana Beach School District Community Facilities District No. 2000-1	3,600,000	100.000	3,600,000
City of Encinitas Community Facilities District No. 1	37,830,000	22.803	8,626,375
Rancho Santa Fe Community Services District Community Facilities District No. 1	47,360,000	100.000	47,360,000
Olivenhain Municipal Water District	-	100.000	-
Olivenhain Municipal Water District Re-Assessment District No. 96-1	16,795,000	100.000	16,795,000
San Diego County Reassessment District No. 97-1	5,655,000	100.000	5,655,000
Rancho Santa Fe Community Services District Assessment District No. 92-1	2,510,000	100.000	2,510,000
Whispering Palms Community Services District Assessment District	2,015,000	100.000	2,015,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 371,971,725
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	\$ 415,240,000	5.224%	\$ 21,692,138
San Diego County Pension Obligations	853,514,739	5.224	44,587,610
San Diego County Superintendent of Schools General Fund Obligations	21,187,500	5.224	1,106,835
Mira Costa Community College District Certificates of Participation	3,675,000	18.283	671,900
Palomar Community College District General Fund Obligations	6,890,000	5.206	358,693
Poway Unified School District Certificates of Participation	127,465,490	13.330	16,991,150
Encinitas Union School District Certificates of Participation	320,000	62.289	199,325
Rancho Santa Fe School District Certificates of Participation	6,970,000	29.852	2,080,684
Other School District General Fund Obligations	107,803,327	Various	4,575,181
City of Encinitas Certificates of Participation	44,440,000	40.333	17,923,985
City of San Diego General Fund Obligations	520,825,000	0.191	994,776
Other Cities' General Fund Obligations	53,270,000	Various	59,840
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 111,242,117
COMBINED TOTAL DEBT			\$ 483,213,842²

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the district.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:

Direct Debt	0.00%
Total Gross Direct and Overlapping Tax and Assessment Debt	2.04%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	2.66%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistic, Inc.

Table XII - Pledged-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year Ended	Gross Water System Revenue ¹	Water System Expense ²	Net Water System Revenue Available for Debt Service	Debt Service Requirements ³			Coverage Factor	Pledged Revenue Debt Limit ³
				Principal	Interest	Total		
2010	\$37,766,914	\$28,027,481	\$9,739,433	\$1,535,000	\$1,998,718	\$3,533,718	276%	115%
2009	37,252,328	26,184,985	11,067,343	1,885,000	1,501,218	3,386,218	327%	115%
2008	39,745,808	26,915,212	12,830,596	1,810,000	1,573,868	3,383,868	379%	115%
2007	39,355,478	22,928,164	16,427,314	1,820,000	1,658,065	3,478,065	472%	115%
2006	35,488,775	21,601,736	13,887,039	2,075,000	1,945,185	4,020,185	345%	115%
2005	28,172,428	18,466,358	9,706,070	1,485,000	2,101,273	3,586,273	271%	115%
2004	28,873,795	18,159,664	10,714,131	1,415,000	2,168,763	3,583,763	299%	115%
2003	29,329,770	16,689,052	12,640,718	1,350,000	2,233,145	3,583,145	353%	115%
2002	27,636,463	15,864,305	11,772,158	1,290,000	2,294,658	3,584,658	328%	115%
2001	27,428,877	14,799,084	12,629,793	1,235,000	2,350,708	3,585,708	352%	115%

Source: Olivenhain Municipal Water District.

NOTES:

(1) The above numbers exclude capital contributions, benefit assessment revenues, 4S recycled operations, and wastewater revenues.

(2) Exclusive of depreciation and amortization expenses.

(3) Water Revenue Refunding Bonds Series 2006A and Water Revenue Bonds Series 2009.

Table XIII - Reassessment District 96-1 Billings and Collections

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected ²	Percent Collected
	Principal	Interest	Other ¹	Total		
2010	\$643,837	\$758,340	\$58,769	\$1,460,946	\$1,386,632	94.9%
2009	619,971	784,377	53,456	1,457,804	1,372,921	94.2%
2008	514,985	887,738	51,735	1,454,458	1,375,045	94.5%
2007	509,950	997,589	61,671	1,569,210	1,547,449	98.6%
2006	491,427	1,022,768	40,756	1,554,951	1,523,146	98.0%
2005	466,655	1,043,882	58,470	1,569,008	1,516,052	96.6%
2004	448,594	1,066,574	64,500	1,579,668	1,552,299	98.3%
2003	433,701	1,085,948	114,098	1,633,747	1,566,418	95.9%
2002	413,794	1,103,712	87,765	1,605,271	1,528,074	95.2%
2001	399,443	1,122,233	77,495	1,599,171	1,536,643	96.1%

Source: Olivenhain Municipal Water District.

NOTES:

(1) Includes administration and delinquency management fees as well as fund credits.

(2) As of June 30 of the fiscal year listed.

Table XIV - Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimate ¹	Personal Income	Per Capita Personal Income ¹	Unemployment Rate ¹
2010	66,872	3,059,126,512 ²	45,746 ²	10.5%
2009	65,889	3,092,697,882	46,938	9.4%
2008	65,277	3,045,106,773	46,649	6.0%
2007	62,250	2,857,959,750	45,911	4.8%
2006	58,622	2,577,550,718	43,969	4.0%
2005	57,068	2,367,351,844	41,483	4.3%
2004	56,776	2,255,937,584	39,734	4.7%
2003	54,477	2,015,757,954	37,002	5.2%
2002	51,993	1,860,517,512	35,784	5.1%
2001	40,090	1,390,521,650	34,685	4.2%

Source: SANDAG, California Department of Finance, Bureau of Economic Analysis and Employment Development Department

NOTES:

(1) Population Estimate is based on SANDAG estimate. Per Capita Personal Income and Unemployment Rate represent information for San Diego County.

(2) FY 2010 income information are estimates provided by the State of California Department of Finance (DOF). Prior years' data represent actual numbers calculated from percentage of change in personal per capita income provided by DOF.

Table XV - Principal Employers

2009¹ and Nine Years Prior

Calendar Year 2009			Calendar Year 2000		
Employer Name	Employee	Percentage of Total County Employment ²	Employer Name	Employee	Percentage of Total County Employment ³
Federal Government	41,600	2.94%	Federal Government	43,000	3.27%
State of California	41,600	2.94%	State of California	35,600	2.71%
University of California San Diego	29,337	2.07%	University of California San Diego	20,653	1.57%
County of San Diego	17,189	1.22%	County of San Diego	16,555	1.26%
San Diego Unified School District	14,555	1.03%	San Diego Unified School District	12,784	0.97%
Sharp HealthCare	14,400	1.02%	City of San Diego	11,500	0.88%
Scripps Health	12,622	0.89%	Sharp HealthCare	8,003	0.61%
City of San Diego	11,087	0.78%	US Postal Service, San Diego Division	7,124	0.54%
Qualcomm Inc.	9,859	0.70%	Qualcomm Inc.	7,000	0.53%
Kaiser Permanente	7,618	0.54%	Kaiser Permanente	6,600	0.50%
Total	199,867	14.13%	Total	168,819	12.84%

Source: County of San Diego

NOTES:

(1) 2010 data is not available from the County of San Diego

(2) Based on Total County Employment of 1,414,600

(3) Based on Total County Employment of 1,315,100

Table XVI - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Potable Water	38.00	37.00	40.45	39.90	37.90	32.00	29.50	27.50	27.00	27.00
Wastewater and Recycled Water ¹	8.00	7.00	8.55	7.60	6.60	5.00	1.50	1.00	-	-
Elfin Forest Recreation Operations	3.00	4.00	4.00	3.60	3.60	3.60	3.00	3.00	3.00	3.00
General and Administration										
General Manager and Public Affairs	5.50	4.50	6.50	7.00	5.50	5.50	4.00	3.50	3.25	3.25
Engineering	6.50	7.50	7.50	7.50	7.50	7.00	7.00	7.00	7.00	8.00
Finance and Customer Service	14.00	15.00	15.00	15.00	15.00	14.00	13.75	12.75	12.75	12.00
Human Resources	4.00	4.00	3.00	3.00	3.00	3.00	3.35	3.50	3.50	3.50
Capital Projects ²	-	-	-	-	1.50	2.50	3.00	3.00	3.75	3.75
Total	79.00	79.00	85.00	83.60	80.60	72.60	65.10	61.25	60.25	60.50

Source: Olivenhain Municipal Water District

NOTES:

(1) Includes 4S Wastewater, 4S Water Reclamation Facilities, and non 4S Recycled system personnel.

(2) Limited term positions

Table XVII - Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Water										
Service area (acres)	31,123	31,123	31,123	31,123	31,123	30,947	30,947	30,947	30,947	30,947
Miles of water main	406	413	412	392	404	404	404	390	370	370
Number of treated reservoirs	17	17	17	17	17	16	16	16	16	16
Total treated reservoirs capacity (million gallons)	80.0	80.0	80.0	80.0	80.0	70.0	70.0	70.0	70.0	70.0
Number of service connections	26,885	26,836	26,419	25,946	25,122	23,737	23,011	21,548	19,770	18,263
Number of meters in service	26,706	26,646	26,228	25,749	24,935	23,482	22,788	21,310	19,519	18,038
Potable water peak demand (million gallons)	27.6	33.6	36.1	35.4	34.0	38.2	34.2	32.0	34.0	29.0
Average treated water demand (MGD)	17.2	20.5	21.9	22.3	20.5	19.3	20.6	19.0	19.0	16.0
David McCollom treatment plant max. capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	25.0	25.0	-
Average treatment plant production (MGD)	19.2	15.9	8.8	21.8	20.3	18.9	20.6	18.5	-	-
Sewer										
Service area (acres)	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338	5,338
Maximum system capacity (MGD)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.25
Number of in-service equivalent dwelling units ¹	6,602	6,279	6,145	6,092	5,812	4,410	3,172	2,521	1,956	583
Recycled										
Service area (acres)	10,567	10,567	3,547	3,547	3,547	3,547	3,547	-	-	-
Miles of recycled water main	47	46	11	11	5	5	5	-	-	-
Total recycled storage capacity (million gallons)	4	4	4	4	4	1	1	-	-	-
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-	-
Average treatment daily plant flow (MGD)	1.1	1.1	1.1	1.1	0.9	0.9	n/a	-	-	-
Number of meters in service	250	236	86	77	63	56	44	-	-	-
General Information										
Average years of service of employees	8.9	8.6	8.0	8.3	7.8	8.6	8.7	9.0	7.9	8.4

Source: Olivenhain Municipal Water District

NOTES:

(1) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.



The Pace of Nature by Dan Buscemi

Winner, Best in Show, 2010 OMWD Photo Contest, Water Scenery Category



1966 Olivenhain Road
Encinitas, CA 92024-5699
Phone (760) 753-6466
Fax (760) 753-5640
www.omwd.com